

Product Innovation



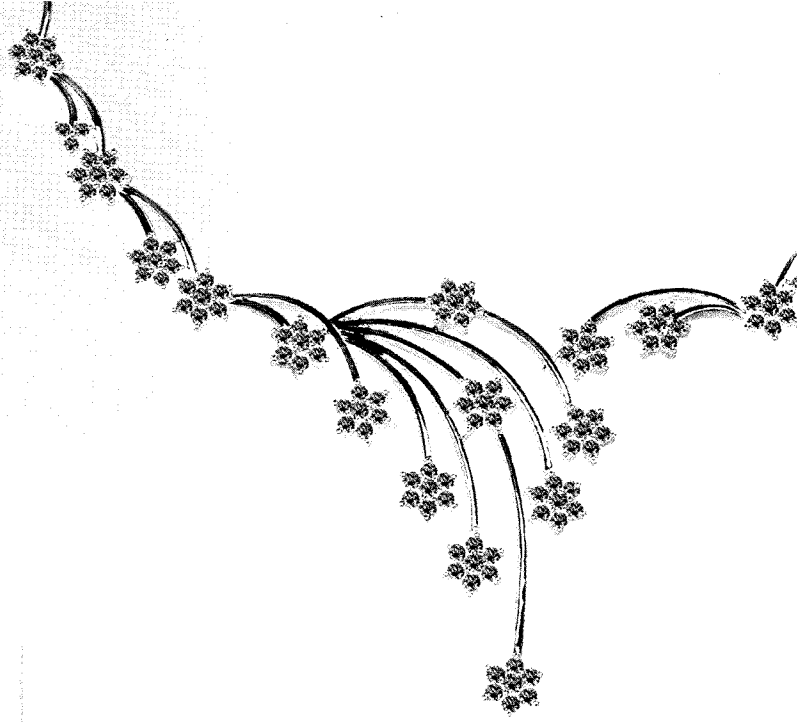
## Focused Sustainability

Forward Integration



Market Realignment





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### FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The company cannot guarantee that these assumptions and expectations are accurate or will be realised.

The company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.

## FOCUSED SUSTAINABILITY

In the most challenging environment ever, we grew when the biggest diamond market shrunk.

2008-09 was not an ordinary year. It was rather extra-ordinary. In many ways. And more so for Asian Star.

The sub-prime crisis that created a series of liquidity challenges led to the collapse of the financial system globally. Suddenly, a growing and a charging world faced with a massive wall of worry. Such was the impact of the financial crisis that some institutions that were household names collapsed like a house of cards. This was not all. The impact of the crisis took world economies into severe depression and recession. USA, Europe and Japan, almost every country is faced with a recession. Suddenly the world seems to have halted.

Just two years ago, 42% of our revenues came from exports to USA and Europe. We were not just faced with a recession in our large market USA, but also a volatile currency environment. A tough end-market also increased competition in our business.

But by 2008-09, we had clearly moved away from the US to other upcoming markets. Asian Star reported a growth in PAT by 13% to Rs. 46 crore. Our jewellery segment grew by 30% from Rs. 154 crore to Rs. 200 crore in 2008-09. Our EPS has gone up from Rs. 38 to Rs. 43.

That's the power of focus. Because we have always believed in creating sustainable growth. By focusing on strengthening our strengths.

### Focused Sustainability.

This is how.

- With a downturn in the US, we focused on expanding our presence in the Asia Pacific and Asia Arabia through our existing strong distribution network.
- We focused on creating a new revenue stream that was domestic and high margin. We experimented by piloting a domestic jewellery retailing business under the name Shagun Jewels.
- We focused on enhancing our competitive advantage further through constant product development and technology updates.

As we look ahead, we are more focused than ever before. We have come out of the toughest times faced by our biggest markets. We see the world economy reviving soon. And we are focused to get a bigger share. We are focused on de-risking our business through a sizeable domestic endeavour. And by including all the verticals of the value chain.

We assure you focused, sustainable growth ahead.

Focused to sustain.  
Focused to grow.

## FOCUSED DE-RISKING & SUSTAINABILITY

It is no longer just **USA.**  
Focus **Asia Arabia**  
and **Asia Pacific.**

USA is the world's largest consumer. There is no denying that. In the world of Gems and Jewellery, USA accounted for 48% of global trade. Two years back, 42% of our revenues came from exports to USA and the developed nations of Europe such as UK, France and Germany.

And then 2008-09 happened. It has been more than a year, that countries across the world, including India, are undergoing one of the toughest global economic crises. Suddenly the consumer capitals of the world, USA and developed European nations spent less. Two of our biggest markets were worst hit.

While Asian Star didn't remain untouched by these developments, it chose to meet the challenge of tough times by reflecting upon its established practices and modifying them in light of changed environment.

Thanks to our focused efforts to de-risk the business, we started building a non-USA strategy and entered the BRIC economies, the CIS, Eastern European Bloc and Middle East. Today, Asia Arabia alone accounts for 46% of our revenues.

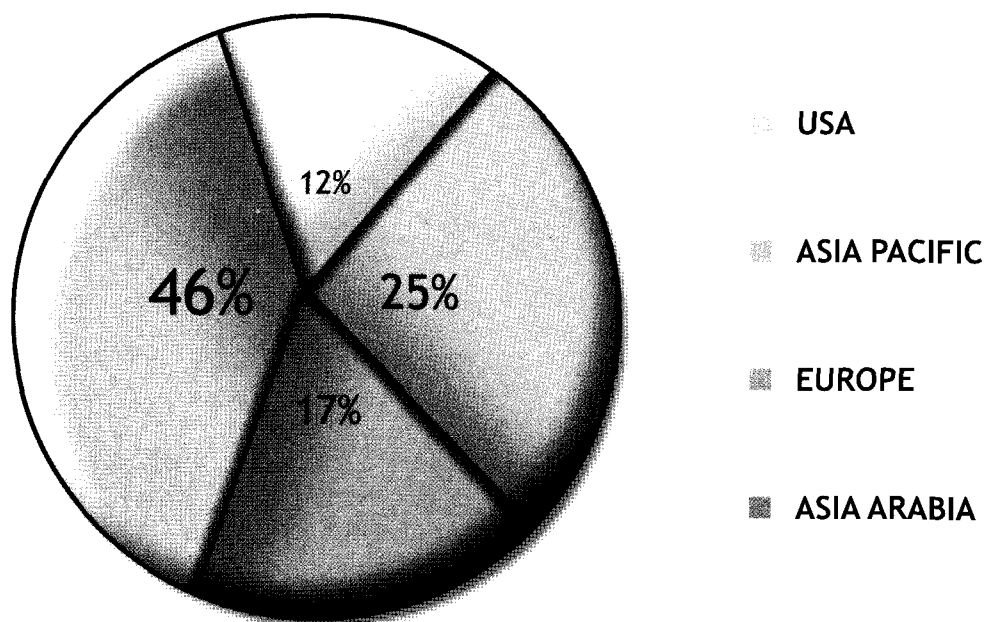
Besides, we also started building our business in the highly potential Asia Pacific region.



And we continued to build on our home ground, India. India accounts for 23% of our revenues. As over 600 million youth begin to earn and spend, we believe that India will be a core market for our products.

The Company is using its strong distribution network - subsidiaries and marketing arms based in and around these markets to create awareness about the Company and its product line in these markets through trade fairs, buyer-seller meets etc. The Company is also doing extensive research of these markets to understand jewellery trends and consumer preferences.

We believe that our endeavours will go a long way in building a global business with low concentration on any market and will add significant sustainability and visibility to our growth in years to come.



**Geographic Distribution of Revenues  
Asian Star (08-09)**

## FOCUSED VALUE CREATION & SUSTAINABILITY

In India, jewellery is not just a fashion accessory... it is a tradition and investment.

At Asian Star, our business has followed a natural path of integrating forward in the value chain. From polished diamonds, we extended our presence to the jewellery segment to add value to our product portfolio. Today our portfolio of clients includes renowned retail chains and brands, both in India, and the rest of the world. This business is driven through our intellect and design sensibilities and the client's reach. And the fact that we know that this is a high margin business and will yield us better profitability.

It is no surprise then that Asian Star's jewellery segment grew by 30% from Rs. 154 crore to Rs. 200 crore in 2008-09. It has moved from 10% to 14% of total revenue. We believe that the jewellery business would contribute 20% to consolidated top line in the next few years, thereby giving better margins and at the same time ensuring greater business opportunities.

Retail is the last leg of the value-addition. We believe it was the final and logical step for us to move forward into retail of jewellery. And we chose India, one of the world's youngest and largest markets to pilot Shagun Jewels, our retail format brand. Jewellery is considered as status symbol in India, and almost no important occasion - birth, marriage and festival is complete without it. Jewellery is also the preferred form of investment and collateral, especially in rural India. This is probably why the jewellery segment in India is not as badly hit as elsewhere in the world. Shagun Jewels, our retail foray was put in front of the consumer in Hyderabad in May 2008. We intend to expand the reach of Shagun Jewels in Tier I & Tier II cities, after reviewing market situation.

Thus, this forward integration will not only enable us to strengthen our margins, it will also enable us to customise our product offerings and quality as per the markets and consumer preferences thereby creating value, both for our customers and our shareholders.



FOCUSED INNOVATION  
& SUSTAINABILITY

Everybody loves **exclusive.**  
And that **happens** only  
when there is **innovation.**



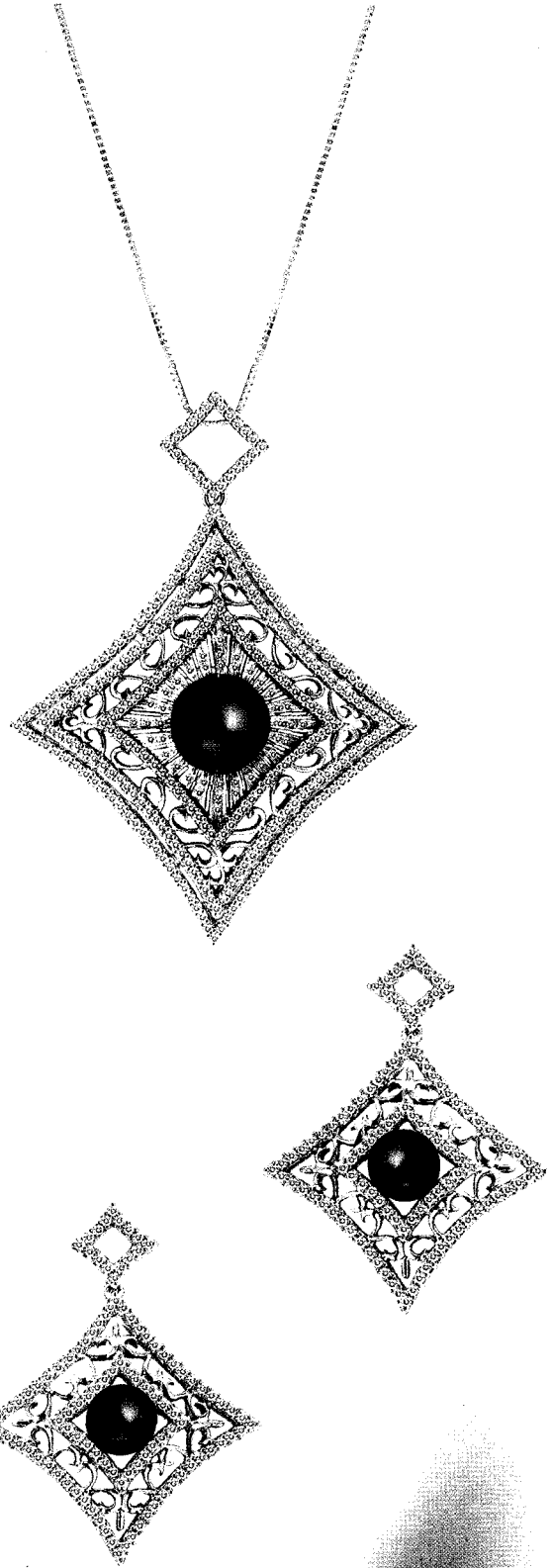
The challenging economic and industrial scenario has initiated a process of litmus test to measure the resilience of business entities and expose the foundation of organisations.

Steadily pushing towards the goal of maximising yield from physical capital, Asian Star reinforced its commitment towards building strong systems and resilient attitudes. We focused on delivering sustainable innovations that will drive competitive differentials, through exclusive products both in our diamond polishing business and the jewellery business.

We are one of the leading players in the polished diamond space and we continue to maintain that leadership by upgrading our systems to improve the efficiency of our manufacturing line. We have incorporated improvements and upgrades, specific to different kind of polished thus giving better output and yield. Not just this, we moved from manufacturing the more customary round brilliant shapes to exclusive fancy cuts which command a higher price. This will help get us better returns for our polished diamonds.

Considering the current economic scenario and changing preferences of consumers, in our jewellery business too, we developed a number of product lines at affordable price points. We created a unique lightweight collection of jewellery that look expensive and classy, but the open design pattern allows less usage of gold and diamonds, thus controlling the price. And at the other end of the spectrum, we created unique hand-made jewellery for the high-end, high fashion couture market.

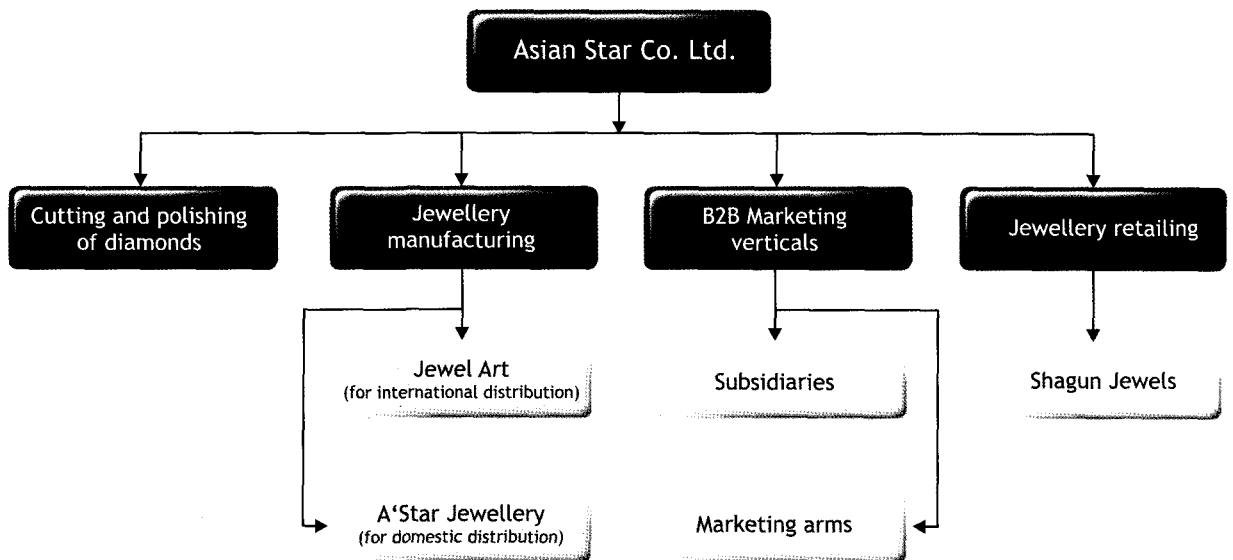
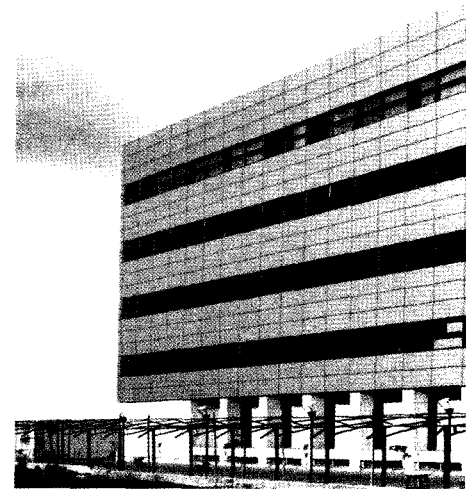
The challenges in our industry have never been greater nor the opportunities more apparent. We have aligned the Company's strategic vision and goals after considering the current market dynamics and carved the right niches for development and expansion.



...ed to **sustain.**  
Focused to **grow**

## ABOUT US

Established as a partnership firm in 1971, Asian Star Company became a public limited company in 1995. Today, it has emerged as one of the largest integrated diamantaires in the world and has its presence across the entire value chain. The Company has presence across diamond cutting & polishing, jewellery manufacturing and marketing verticals.

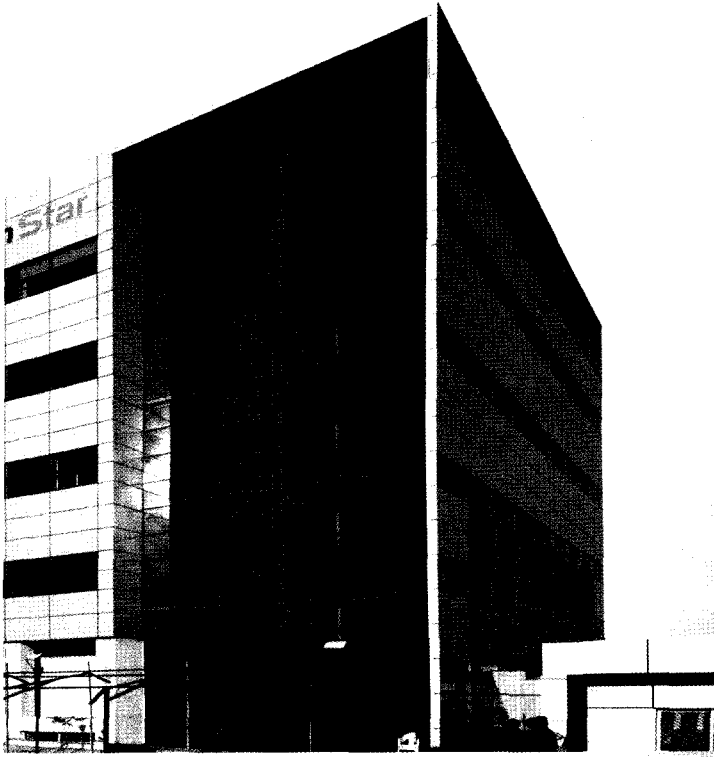


## BUSINESS PRESENCE

The Company is the preferred supply partner for diamonds and diamond jewellery for some of the leading retail brands and retail chains across the globe.

Its business portfolio encompasses:

- Polished Diamonds - All polished 2 ct. and smaller in Fine Makes.
- Jewellery - Gold and Platinum, Diamond Studded Jewellery spanning all categories like Rings, Earrings, Pendants, Bracelets, Bangles, Necklaces etc. for the domestic and international market.
- Jewellery Retailing - 'Shagun Jewels', the flagship retail store at Hyderabad catering to the urban Indian women.
- Power - Windmills in Maharashtra, Kerala & Tamil Nadu.



## GEOGRAPHIC PRESENCE

### Manufacturing Centres

World-class infrastructure at Surat and Mumbai, in India for Diamond Processing and Jewellery Manufacturing.

These technologically advanced manufacturing facilities offer the best-in-class infrastructure including Wide Area Network computerisation, on-line manufacturing processes and eco-friendly environment.

### Marketing Presence

#### Subsidiaries -

Two wholly owned subsidiaries in New York, USA and Dubai, UAE.

#### Marketing Arms -

A strong global presence with 21 marketing arms spread across the continents of Asia, Europe and America.

CANADA

USA

\* \* BELGIUM

UAE

INDIA

CHINA

\* HONG KONG

\* THAILAND

\* MALAYSIA

SINGAPORE

- \* Manufacturing units
- Subsidiaries
- \* Marketing arms

## LISTINGS

The Company's shares are listed on the Bombay Stock Exchange (scrip code - 531847) in India. As on March 31, 2009, Asian Star Co. Ltd. had a market capitalisation of Rs. 1,166 crore.

## PEOPLE

Total Count - 1,700 employees

Polished Diamonds - 1,200 employees

Jewellery - 500 employees



## CORE VALUES

Our values provide the framework for our thinking and behavior and play a key role in shaping a goal-oriented and market oriented organization.

**Integrity** - To conduct our business fairly, with honesty and transparency and to be totally committed to the highest standards of corporate governance.

**Networking** - To reach out beyond boundaries and seek opportunities, not just to gain information and ideas, but also to share them with colleagues and partners around the world.

**Excellence** - To be committed to exceptional standards of performance in the quality of goods and services we provide, and to be willing to embrace new ideas and learn continuously.

**Responsibility** - To be responsible and sensitive to the countries and communities in which we work, always ensuring high standards of behaviour from employees and group companies.

**Unity** - To work cohesively with our colleagues across the group and with our customers and partners around the world, building strong relationships based on understanding and mutual co-operation.

## CORPORATE VISION

**“To maintain leadership and enjoy sustainable growth in the global diamond industry by riding on our core competencies and to add long-term value to our business through forward integration and alliances”.**



## KEY STRENGTHS

- A vertically integrated business model that makes commercial proposition sound and synergistic.

We are now present across the entire value chain; procuring rough diamonds, polishing them, setting them in jewellery and selling them to other retailers and now through our own brand - Shagun Jewels.

- Sightholder status with the DTC and access to other primary sources of rough.

This year, due to scarcity of rough availability, DTC had devised a more stringent appraisal system for renewal of contracts. Only approximately 75 diamond manufacturers worldwide are on this Sightholder list. Our excellent performance has secured our place on this list for the contract period of 3 years.

- Strong marketing capabilities and well-penetrated distribution network.

A strong global presence with 23 marketing arms, including 2 subsidiaries, spread across the continents of Asia, Europe and America.

- Strong equity for the 'Asian Star Make' and reputation as a one-stop-shop in the trading circles.

The cut, quality and colour of our polished is so consistent and superior that our product is known as the 'Asian Star Make' within the trade communities.

- A design team proficient in delivering innovations and country-specific jewellery designs.

We have 25 members in our design team based in India, USA and Hong Kong whose focus on consumer preferences always keeps us ahead of the race.

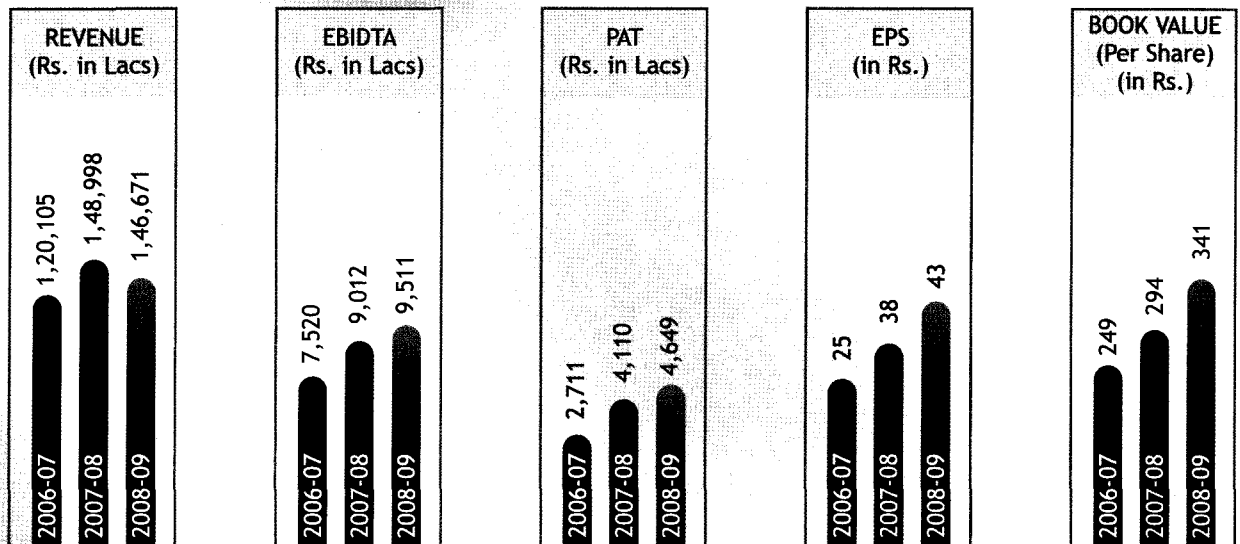
- Well-established manufacturing capabilities coupled with cutting-edge technology.

We have world-class infrastructure at Surat and Mumbai, in India for Diamond Processing and Jewellery Manufacturing.

- Proven management expertise and a large pool of experienced and talented human resource.

We are a young organisation, with the average age of 35 years, ensuring the right blend of experience and enthusiasm.

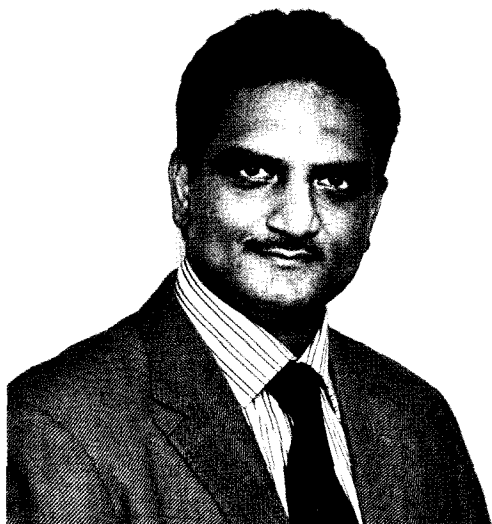
- Strong financial base supporting future growth plans.



## Consolidated Financial Performance

## ACHIEVEMENTS

- Bagged the prestigious CNBC TV - 18 "Emerging India Awards 2008" in the Gems & Jewellery category (Jewel art).
- Ranked 254<sup>th</sup> among the corporates in Dun & Bradstreet's 2008 edition of "India's Top 500 Companies".
- Has the prestigious status of being a DTC Sightholder for the new contract term (2008-2011).
- Won awards at international jewellery design competitions, namely 'The Solitaire Design Awards 2008' in the daily wear category and 'The 7<sup>th</sup> International South Sea Pearl Jewellery Design Competition' in the earrings category.



“Better control of our inventories, cleaner & efficient distribution pipeline, more efficient production lines and product innovations which add value have aided us in maintaining a healthy business.”

Dear Shareholders,

2008-09 will be remembered the world over. The world has witnessed perhaps the biggest downtrend since the great depression of 1929. The world that was growing aggressively suddenly came to a halt ignited by the sub-prime crisis that led to the collapse of the global liquidity, and trust. Such was the force that every economy without exception shrunk. The world is facing tough times. Most economies will de-grow and take time to recover. Particularly USA and Europe.

Diamond jewellery being considered a luxury item took an obvious hit. In downturn, people naturally trim their expenses especially in non essential items. With soaring input prices, fluctuating market and the world economy in a state of flux, Asian Star remained undeterred by placing greater emphasis on all-round cost efficiency and focusing our energies on value creation. We believe what differentiates us is our presence across the value chain. We are present from procuring of rough to diamond jewellery retail in the Indian market. This adds significant competitive advantage. We have married this vertical integration with extensive reach to ensure the business is de-risked globally. We have created a culture of innovation and design as a tacit differentiator. We offer world-class service and products so that we remain ahead of the curve.

Asian Star's ascent in terms of productivity and performance, irrespective of unfavourable situations, is not a matter of chance. It's a consequence of years of deliberate action, geared towards instilling innovation, flexibility and strength in the Company's physical resources. Our success lies in our ability to continually identify and respond to the changing demands across highly-dynamic markets.

## IMPROVED BUSINESS EFFICIENCIES

In challenging times such as now, we realised the importance of running our business more efficiently. We concentrated our efforts on better inventory control, stock-debt management and streamlining our distribution pipeline efficiency to ensure that there is no stock piling, resulting in blocked working capital.

Sourcing of rough is critical to our business since diamonds account for 80% of our production cost. While worldwide, there is a shortage of quality roughs, our renewed contract with DTC for three years has assured us of consistent supply of high quality diamonds at best prices. We intend to use this advantage and strengthen our leadership in the space.

Being an integrated player growing every year, we are expanding our manufacturing too. The domestic jewellery manufacturing unit is being expanded by additional 15,000 sq. ft. (50% increase in production capacity) and will be ready for operations by Jan 2010. We are also in the process of setting up additional 6,500 sq. ft. area in Seepz in Mumbai, India for exports. Apart from this expansion, we improved our manufacturing efficiencies by introducing microscopic QC at all stages of production. This helps us further cut down on wastage and processing time.

## IMPROVING MOVEMENT OF GOODS

We remain focused on value creation for all our stakeholders whether it's by entering new geographies, reaching new set of clients or innovating in products by becoming still more consumer-focused in terms of design and price demand. We have consciously de-risked our business by moving to strong, emerging, high potential regions like China, Middle East, Australia, New Zealand, Russia and other European Eastern Bloc countries. Realizing the margins in the retail business, we have slowly ventured into the same through our maiden venture - Shagun Jewels. Being jewellery retailers also helps us understand the pulse and evolving taste of the client upfront, making us more consumer-focused in terms of innovation, design and cost.

Better control of our inventories, cleaner & efficient distribution pipeline, more efficient production lines and product innovations which add value have aided us in maintaining a healthy business. I am pleased to inform, that due to all our endeavours, we have a 13% increase y-o-y on our PAT and a growth of 30% in our jewellery business. Going forward, Asian Star will continue to grow sustainably through two of its businesses, jewellery manufacturing and distribution, and retail.

The year 2008-09 marks yet another milestone for Asian Star, dotted with challenging tasks and rewarding actions. Jewel Art, our international jewellery manufacturing arm, bagged the CNBC TV - 18 "Emerging India Awards 2008" for SMEs, in the G & J category. We also won several other awards for innovative jewellery designs and manufacturing techniques. I personally thank every employee of Asian Star for having contributed to help us get this recognition.

We would like to thank every shareholder of Asian Star for their continued support and patience in these trying times.

Thank you.

Best Regards

Vipul P. Shah  
CEO & Managing Director



Promoters: From left - Priyanshu A. Shah, Vipul P. Shah, Dinesh T. Shah, Arvind T. Shah and Dharmesh D. Shah

## BOARD OF DIRECTORS

### DINESH T. SHAH

The Chairman of Asian Star Co. Ltd. started his career as a diamond manufacturer and then ventured into the diamond trade in 1971 as a partner in Asian Star Company. His broad strategic vision, business acumen and professional conduct have contributed significantly in the success story of the Company. Under his able guidance and leadership, the Company has attained the status of being one of India's leading exporters of cut and polished diamonds under DTC category.

### VIPUL P. SHAH

The CEO & Managing Director of Asian Star Co. Ltd. has created an empire to reckon with through sheer grit and visionary foresight. He has been instrumental in establishing the Company's global network, currently one of the best in the industry. He also initiated the extension and development of the jewellery business. He transformed a manufacturer company to a value-added, vertically integrated supply partner. At present, he is focusing on the overseas business, including procurement of rough, and the financial aspects of the Company.

**DHARMESH D. SHAH**

The CFO & Jt. Managing Director of Asian Star Co. Ltd. started his career in the diamond business from the bottom rung and has been trained in all aspects of the diamond industry in India and abroad. He is well-traveled and has thorough knowledge of current trends prevailing worldwide as well as a deep insight of future needs of the diamond market. Presently, he oversees the sales & marketing function of the Company, and has been instrumental in building & nurturing strategic alliances with business partners.

**ARVIND T. SHAH**

With enriched experience in diamond manufacturing, Arvind Shah - Executive Director of Asian Star Co. Ltd. is responsible mainly for the diamond processing activities at all the facilities, management of contractors as well as overall administration. He is also one of the key persons responsible for rough procurement from overseas. He is well-versed with all the requisite quality norms and systems related to diamond manufacturing.

**PRIYANSHU A. SHAH**

The youngest Executive Director of Asian Star Co. Ltd., at 28 years, Priyanshu Shah heads the thriving jewellery operations of the Company. He currently manages the production and marketing functions for export as well as the domestic jewellery operations. His vast knowledge of the latest jewellery trends worldwide and his creative inputs have resulted in the launch of several successful collections and innovative designs.

**BHUPENDRA K. SHROFF**

Bhupendra K. Shroff is M.Com, LL.B, F.C.S and C.I.A from USA. He is also a practicing Company Secretary for more than 35 years. He has wide experience on matters relating to Company Affairs and had been associated with many top companies like Reliance Industries Ltd. etc. He is considered to be a highly respected professional in his field of Corporate Laws and other legal matters.

**K. MOHANRAM PAI**

K. Mohanram Pai is B.A. and C.A.I.I.B. He possesses a rich and varied experience in the Banking Industry. He has held offices as Executive D.G.M. of Overseas Operations Dept. with Corporation Bank and as G.M. CVO with United Bank of India. He is a renowned expert in financial matters.

**APURVA R. SHAH**

Apurva R. Shah is F.C.A, C.W.A and a Graduate from London School of Economics and Political Sciences. He has also pursued a course in International Accounting & Finance from UK. He was a rank holder in Chartered Accountancy examinations with an award for the highest distinction in Financial Accounting and in Direct Tax Laws. He is a partner of Rajendra & Co., Chartered Accountants. He has expert knowledge in the areas of Direct Taxation, Foreign Exchange Management Laws, Financial Management and Business Restructuring.

**HASMUKH B. GANDHI**

Hasmukh B. Gandhi is B.A. (Hons), LL.B. He is an advocate in Mumbai High Court since 1955. He has an expertise in drafting and vetting of agreements like Collaboration Agreements, Commercial Agreements, Shareholders Agreements, Joint Venture Agreements, Deed of Assignments etc.

**MILIND H. GANDHI**

Milind H. Gandhi is F.C.A. He was an all India rank holder in the Chartered Accountancy examination. He is the founding partner of Gandhi & Associates. Mr. Gandhi has an extensive knowledge of Taxation, Audits and Corporate Consultancy. He has specialised in advising and structuring of joint ventures and also inbound and outbound investments.



Management  
Discussion  
and Analysis

## ECONOMIC OVERVIEW

The financial crisis worldwide has called into question several fundamental assumptions and beliefs governing economic resilience and financial stability. What started off as a turmoil in the financial sector of the advanced economies has snowballed into the deepest and most widespread financial and economic crisis hitting countries all over the world. Like all emerging economies, India too has been impacted by the crisis. After clocking an annual growth of 8.9% on an average over the last five years (2003-08), the real GDP for the year 2008-09 was 6.7%.

Despite the adverse impact noted above, there are several comforting factors that have helped India weather the crisis. First, the financial markets, particularly banks, have continued to function normally. Second, India's comfortable foreign exchange reserves provide confidence in its ability to manage the balance of payments notwithstanding lower export demand and dampened capital flows. Third, headline inflation, as measured by the wholesale price index (WPI), has declined sharply. Consumer price inflation too has begun to moderate. Fourth, because of the mandated agricultural lending and social safety-net programmes, rural demand continues to be robust.

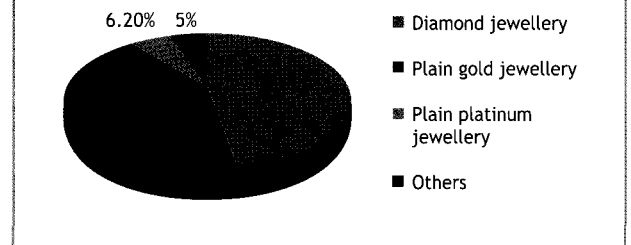
The latest RBI survey projects India's GDP to grow at 7.5% per annum for the next 10 years. This growth is expected to ride on the back of domestic demand rather than overseas business. The services sector is again expected to witness significantly higher growth than the manufacturing sector. This is primarily because the fundamentals of the economy remain strong and stable, including favourable demographics, rapid urbanization and rising literacy levels.

## INDUSTRY OVERVIEW

### Gems and Jewellery Industry

The Gems and Jewellery (G&J) business is extremely global in nature, given the geographic dispersion of the value chain - from mining of gold, diamonds and platinum in Africa, Canada, Australia and Russia to polishing and jewellery manufacturing in India, China, Belgium, Italy and Turkey and retailing all over the world. The size of the global Gems and Jewellery Industry is at USD 137 billion, at retail prices. Diamond studded jewellery is the largest segment of this industry at USD 64.8 billion in 2008.

### Gems and Jewellery product wise distribution



In India, Gems and Jewellery Industry occupies an important position in the economy. It is a leading foreign exchange earner, as well as one of the fastest growing industries in the country. The two major segments of the sector in India are jewellery and diamonds. Gold jewellery forms around 80% of the Indian jewellery market, with the balance comprising studded jewellery that includes diamond studded as well as gemstone studded jewellery. A predominant portion of the gold jewellery manufactured in India is consumed in the domestic market. However, a major portion of the diamonds processed in India is exported, either in the form of loose polished diamonds or finished diamond jewellery.

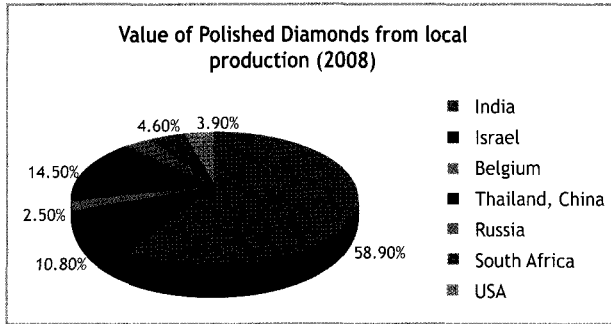
### Diamond Industry

The Indian diamond industry has greatly matured and is fully capable of competing internationally on a level playing field. Geographically located literally in the middle of the world, India has become a one-stop sourcing centre for overseas buyers. India is therefore a significant player in the world gems and jewellery market, both as a source of polished diamonds as well as a large consuming market. The USD 23 billion industry is well supported by government policies and the banking sector.

### Polished Diamonds

The Indian diamond industry has the world's largest cutting and polishing industry, employing around 8,00,000 people (constituting 94% of global workers) with more than 500 hi-tech laser machines.

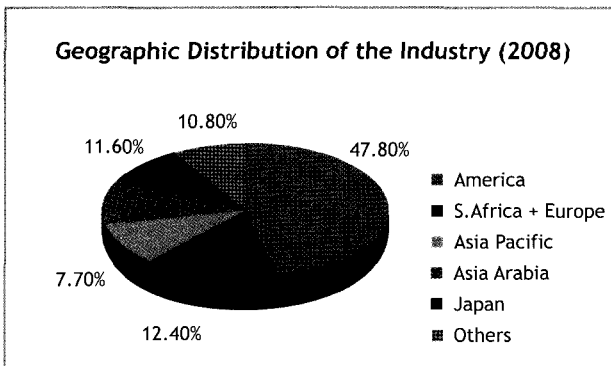
In the global diamond market today, Indian diamonds account for 59% share of world net exports of cut & polished diamonds in value terms (USD 13.57 billion 2008-09), 80% share in caratage (weight) terms and 90% share in volume terms. Today, there is a ready availability of an entire range of diamonds in nearly every size, quality and cut. India offers the twin advantages of skilled labour and low cost in the area of diamond processing.



**Diamond Jewellery - manufacturing and retail**

In the area of diamonds, Indian diamantaires have been focusing on moving up the value chain, from being polishers of rough diamonds to the manufacturing of jewellery. India is gaining prominence as an international sourcing destination for high quality designer jewellery. India has well-established capabilities in making hand-made jewellery in traditional as well as modern designs. Indian hand-made jewellery has always had a large ethnic demand in various countries with sizeable Indian immigrant population such as the Middle East, South-East Asian countries, the USA and Canada. In recent times, India has also developed capabilities in machine-made jewellery which is expected to generate demand from non-ethnic jewellery markets as well. Exports of diamond jewellery standing at USD 6.90 billion in 2008-09 are expected to increase in the future.

Sale of diamond jewellery is concentrated in key world markets, the US being the world's largest market.



However the recent credit crisis, coupled with slower economic growth has resulted in lower spend by the American nationals, resulting in less than expected growth in the segment. India and China are rapidly emerging as the key manufacturing and consumption markets of diamond jewellery, and together will equal the US market size by 2015, as per forecasts. The Indian jewellery industry is the third largest consumer of polished diamonds, after the USA and Japan. Domestic diamond jewellery sales stand at USD 2.5 billion and have great potential for further growth.

**BUSINESS OVERVIEW**

Asian Star Company Limited is one of the world's leading diamantaires and a Diamond Trading Company Sightholder. The Company is fully integrated with presence across the businesses of diamond manufacturing, jewellery manufacturing and retailing.

**Manufacturing facility for polished diamonds**

The Company has world-class infrastructure facility at Surat measuring 65,000 sq. ft. operated by over 1,200 skilled workers. Almost 40 years of diamond cutting experience, means that its production team is uniquely qualified to manage the complexity of diamond cutting today. Their skills, combined with the latest technology and the widest range of rough diamonds procured from the DTC allow Asian Star to produce a range of polished diamonds in various shapes, sizes, colours and purities.

**Manufacturing facility for jewellery**

The Company's factory premises measuring over 37,000 sq. ft. in Mumbai houses more than 500 skilled artisans. The facility has a production capacity of 6,40,000 pieces per annum. In-house designers and product development team are attuned to market preferences and develop jewellery to cater to major retailers and retail chains in the domestic and international jewellery market.

**Distribution (B2B)**

Asian Star has a widespread marketing network across the globe through its 23 marketing arms, including 2 subsidiaries.

**Retail**

Completing the last step in the value chain, the Company ventured into jewellery retail under its own brand name Shagun Jewels, at Hyderabad in May 2008. The store targets the modern Indian women with deep-rooted traditional values. The brand believes in the supremacy of innovation and contemporary designs and offers over 2,500 designs at the store.

**OPPORTUNITIES**

- Economic growth in India is expected to ride on the back of domestic demand rather than overseas business. This is primarily because the fundamentals of the economy remain strong and stable including favourable demographics, rapid urbanization and rising literacy levels. Over 60% of India's billion plus population is below the age of 25 with over 3.5 million graduates and postgraduates added annually to the talent base. These factors coupled with a favourable political environment



are likely to boost the economy in the coming years with an attractive growth potential for Gems and Jewellery Industry.

- There is a growing acceptability of Indian jewellery on global front. India is gaining prominence as an international sourcing destination for high quality designer jewellery, with majors such as Walmart and JC Penney increasingly procuring jewellery from India. Indian jewellery designers have made a mark on the world jewellery scene and are fast gaining recognition for the ability to adapt and innovate designs to suit the varied needs in different markets.

- Though the industry sales are concentrated in few major markets, there are many emerging new markets like Brazil, Russia, Ukraine, Poland, Norway, Denmark, Turkey which are fast moving towards diamond jewellery.

## THREATS

- The Indian Gems and Jewellery (G&J) sector went through rough patches since 2008 with more than 1,00,000 skilled and unskilled labourers being laid-off due to poor demand from the US market, as it is reeling under the current global economic downturn. Exports to the largest market, the US, declined by over 25% in 2008 (January-December). Current dependability on the US market is a major concern for the industry.

- The Chinese jewellery manufacturers have also adapted the technique of cost-effective jewellery making, along with the advantages of organised labour. China is fast growing as a strong competitor and India's edge of cheap labour and low jewellery making charges has to a certain extent been negated by the Chinese jewellers.

- Seemingly synthetic diamonds create an illusion of natural diamonds. Hence demand for synthetic diamonds is growing as it is also very cheap and offers an affordable option for people looking for an alternative for real diamonds.

- While in the earlier part of the century, jewellery would probably be amongst the few luxury items, over the years several other competing options have emerged such as fashion, cosmetics, fragrances, watches, electronic gadgets, luggage and handbags. Nowadays, consumer splurging on other luxury items whittles-down the share of jewellery spend. Also, with the prices of gold and diamonds rising steeply over the last few years, consumers are forced to look at other luxury options, especially for the purpose of gifting etc.

- Structural constraints in the diamond mining industry, combined with a steadily declining mineral reserve base and a continued lack of major new discoveries, continue to hamper the prospects of further supply growth. Inventories of rough diamonds are at historically low levels leading to a sizeable market shortfall worldwide.

## FUTURE OUTLOOK

The Indian Gems and Jewellery Industry has made rapid strides in jewellery design, powered by a new generation of young, professionally trained, technology driven designers. Many of India's jewellery manufacturing facilities are equipped with the latest CAD / CAM and other advanced design systems. Technology solutions are also available for production control, supply chain and inventory management in the jewellery industry. The Special Economic Zones and Gems & Jewellery Parks developed in various states offer technology-enabled environments that are conducive to growth and quality production. The Gems and Jewellery Industry in India is a good blend of modern manufacturing and design techniques with the traditional skills of the Indian artisan. The Indian industry is also compliant with international norms such as the Kimberly Process and the Patriot Act. With well-established capabilities across the value chain, India is an attractive market with high growth potential in the Gems and Jewellery sector.

According to the Economic Times, the domestic consumption of diamonds in India has doubled over the last three months of FY 2008-09, from 2% to 4% of the total production. Diamonds are currently emerging as an investment alternative for gold. People are switching over from gold to diamond jewellery.

The emergence of branded jewellery is another trend that is shaping the Indian jewellery market. Trends also show that traditional handcrafted jewellery is slowly giving way to machine-made jewellery.

## RISK MANAGEMENT

### • Economic downturn

Dwindling property prices, daily reports of thousands of job losses, decreasing disposable income is forcing the affluent and middle class population to change their consumption pattern. Thus spending by higher income consumers is particularly getting weak, and hence preference of gold and diamond jewellery has slowed down even during festive seasons.

However, given the resilience of the economy in the face of recession as well as its strong fundamentals including favourable demographics, rapid urbanization, rising income levels, high savings rate, etc, the Company does not expect to be significantly affected by this risk in the long-term.

• **Competition from other luxury goods**

With the rising prices of gold, all kinds of jewellery has become expensive. People are therefore turning to other luxury options such as watches, bags, etc.

The Company is nurturing the aura surrounding the diamond and intend to further elevate its positioning as the ultimate luxury by supporting its clients in promoting diamonds via aspirational marketing programmes. Also, in India, buying jewellery is a tradition especially on important occasions such as a wedding. Thus the importance of jewellery has not got diminished.

• **Synthetic diamonds**

Several companies have launched synthetic diamonds which create an illusion of the real diamond to the untrained eye. Moreover, they come at less than one tenth the price. So for people who like to constantly keep up with the latest fashion, synthetic diamonds are now a big craze, challenging the demand for real diamonds.

However, there still exists an aura around diamonds, and thus people prefer natural diamonds over synthetic ones. Further, several global campaigns have been launched by DTC etc. to create a demand for natural diamonds. Also, in India, jewellery is not just bought for aesthetic reasons but also as an investment. Thus a large section of people still do not like to go in for imitation jewellery or fake as it has no investment value.

• **Pressures on the industry pipeline**

On one hand, international orders are cancelled leading to piling up of raw material for Gems and Jewellery sector; on the other hand there is a pressure of high raw material cost due to scarcity.

This year, DTC had devised a stringent appraisal system for renewal of contracts. Only approximately 75 vendors worldwide are on this list. With the renewal of its contract with DTC for 3 years, Asian Star is ensured of a steady supply of rough; the best quality for the most competitive price.

• **Consumer is well informed and hence more demanding**

The educated customer is a lot more aware, and hence a lot more demanding and choosy than the previous generation. Further, they are spoilt for choice by the variety of options available in the market. To become viable the business must be consumer-led, vibrant, respected, create more brands and, most importantly, set prices that legitimately reflect the value that is being delivered.

Since the client is better informed, the Company is accelerating its efforts to reassure them by transparency in its product quality and offering certifications. Also, Asian Star is constantly trying to evolve, innovate and introduce new & attractive cuts and design options.

• **Competition from other players**

The Company faces competition from other players in the industry segments in which it operates.

The Company believes in delivering sustainable innovations that will drive competitive differentials, through exclusive products or superior service. Asian Star has a strong R&D process to develop specialised cuts for diamonds and new settings for jewellery. An excellent design team based in India, the USA & Hong Kong understands the market pulse in advance to deliver unique designs. The consistency of the 'Asian Star Make' and reputation as a one-stop-shop in the trading circles help the Company manage competition.

• **Over dependence on one / some clients or regions**

There has been a loss of market due to overseas recession and global slowdown. In the international market, during the year 2007, the US and Hong Kong comprised a share of 49.67% in the total exports of gems and jewellery from India; their share however, contracted to 35.23% in 2008.

Asian Star serves clients all over the world. The Company's distribution competency through its 23 marketing arms offers flexibility and allows it to move its goods across the markets as per demand or other market conditions.

The Company is not dependent on any particular market/client and thus is able to absorb the effects of volatile market conditions.

• **Risk of Exchange Rate Fluctuation**

The industry is exposed to foreign currency fluctuation both in respect of export as well as import transactions. To some extent, the import centric nature of the trade acts a natural hedge against the currency fluctuation. Asian Star

always has a policy of hedging its open interest in foreign currency by booking forward contracts to safeguard its interest from fluctuations in the currency rates. This is closely monitored and controlled by experienced and professional staff.

## FINANCIAL OVERVIEW

- Revenue was Rs. 1,490 crore in 2007-08 and went down marginally to Rs. 1,467 crore in the current year. However the jewellery business did very well and there was a sharp increase of 30% in revenues with current year numbers standing at Rs. 200 crore vis a vis Rs. 154 crore in the last financial year.
- Despite the marginal drop in top line, the Company improved its EBIDTA to Rs. 95 crore from Rs. 90 crore. Similarly, the PAT went up from Rs. 41 crore to Rs. 46 crore.
- Despite the turbulence in the capital market, the EPS rose from Rs. 38 to Rs. 43 in the current year.
- While companies worldwide are struggling with the after effects of over leveraging, the debt equity ratio of Asian Star has become favourable and has gone down from 1.83 to 1.54 in 2008-09.

## INTERNAL CONTROLS AND SYSTEMS

Effective governance consists of competent management; implementation of standard policies and processes; adequate internal controls and internal checks; effective risk monitoring and management information systems.

The Company has a sound system of Internal Controls for financial reporting of various transactions, efficiency of operations and compliance with relevant laws and regulations commensurate with its size and nature of business. The Company has a well-defined system of management reporting and periodic review of businesses to ensure timely decision-making. These internal control procedures ensure the following:

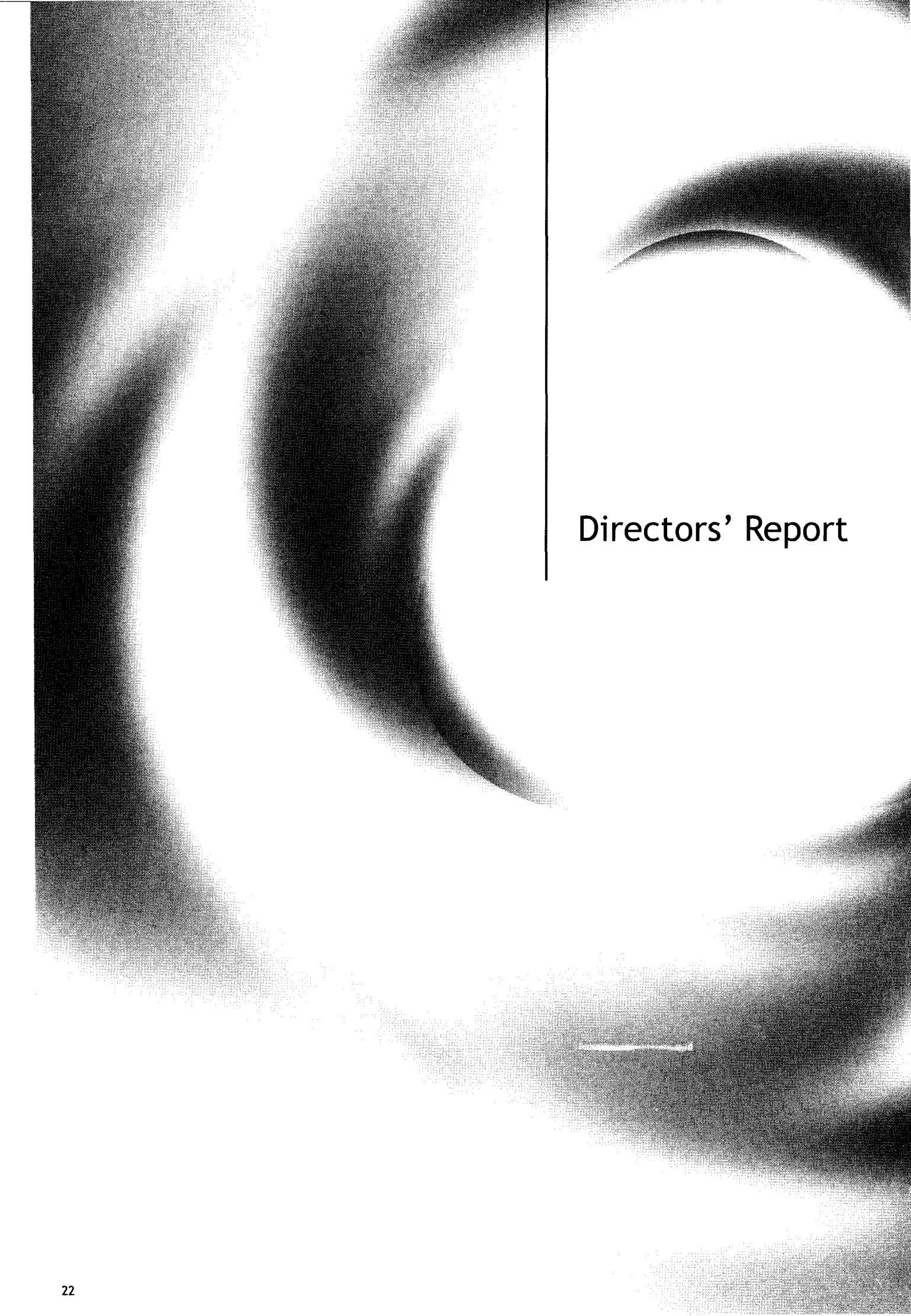
- Efficient use and protection of resources.
- Compliance with policies, procedures and statutes.
- Accuracy and promptness of financial reports.

The Management Information System (MIS) forms an integral part of the Company's control mechanism. All operating parameters are monitored and controlled, with

material deviations from the annual planning and budgeting and business outlook including capital expenditure reported to the Board on quarterly basis. Reports of Internal Auditors are reviewed by the Audit Committee, and corrective measures are carried out towards further improvement in systems and procedures and compliance with Internal Control System. The Board also recognizes the work of the auditors as an independent check on the information received from the management on the operations and performance of the Company.

## HUMAN RESOURCES

The Company believes that human resource is one of the most vital resource and key pillars providing the organization a competitive edge in current business environment. The human resource development function of the Company is guided by a strong set of value and policies. Asian Star takes several measures for its employee's welfare. Asian Star recognizes the importance of providing training and development opportunities to its employees to enhance their skills and knowledge, which in turn enables the Company to achieve its business objectives.



Directors' Report

**DIRECTORS' REPORT**

To the members,  
**ASIAN STAR COMPANY LIMITED**  
 MUMBAI

Your Directors take pleasure in presenting the Fifteenth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2009.

**Financial Performance**

The performance of the Company for the financial year ended March 31, 2009 is summarized below:

Particulars	(Rs. in Crores)	
	March 31, 2009	March 31, 2008
Total Sales	1,255.01	1,305.10
Add : Other Income	0.23	16.31
Total Income	1,255.24	1,321.41
Less : Total Expenditure	1,189.72	1,234.54
Operating Profit (PBDIT)	65.52	86.87
Less : Interest and Depreciation	32.93	32.14
Profit before Tax	32.59	54.73
Provision for Tax	-	11.06
Provision for Deferred Tax	13.46	3.19
Provision for Fringe Benefit Tax	0.13	0.14
Profit after Tax	19.00	40.34
Add : Balance in Profit and Loss Account brought forward	127.75	92.77
Add : Prior Year Adjustments	(0.08)	0.02
Profit available for appropriation	<b>146.67</b>	<b>133.13</b>
<b>Appropriation</b>		
Dividend on Preference Shares	0.76	0.76
Proposed Dividend on Equity Shares	2.13	2.13
Tax on Dividend	0.49	0.49
Transferred to General Reserve	2.00	2.00
Balance carried forward to Balance Sheet	141.29	127.75
	<b>146.67</b>	<b>133.13</b>

The year 2008-09 witnessed an unprecedented global financial crisis resulting in a severe liquidity crunch which had telling impact on the Gems and Jewellery industry. In this challenging financial year, your Company has registered a turnover of Rs.1,255.01 crores with PAT of Rs.19.00 crores.

**Dividend**

The Board has recommended dividend of Rs. 0.30/- per share on 3% Redeemable Cumulative Preference Shares of Rs. 10/- each which will be paid to those preference shareholders whose names appear in the Register of Members as on end of day on September 22, 2009. The Directors have recommended a dividend of Rs.2/- per Equity Share on 10,671,200 Equity Shares of Rs.10/- each for the financial year ended March 31, 2009. Dividend if approved at the Annual General Meeting will be paid to those members whose name appears on the Register of Members as on end of business on September 22, 2009.

**Redemption of Preference Shares**

The Board of Directors of the Company wide its Resolution dated July 24, 2009 decided to redeem 25,200,000, 3% Redeemable Cumulative Preference Shares of Rs.10/- each. Members are requested to approve the same.

**Subsidiary Companies**

As required under Section 212 of the Companies Act, 1956, the Audited Statements of Accounts of overseas subsidiary companies: Asian Star Company Limited, New York (U.S.A.) & Inter Gems DMCC, Dubai, UAE and Indian subsidiary Asian Star Jewels Private Limited and Auditors Reports thereon for the year ended March 31, 2009 are annexed.

#### Wind Energy

As a part of its social commitments and endeavor to carry out operations in a more sustainable manner, the Company has always been inclined to promote a cleaner and greener environment. The Company has been pursuing generation of energy from wind power through establishment of Wind Turbine Generators (WTGs) since 2006. The Company's windmills are located in the state of Maharashtra, Tamil Nadu & Kerala. During the year 2008-09, the Company has generated 221.13 lacs Kwh. resulting in the sales of Rs.598.74 lacs.

#### Directors

K. Mohanram Pai, Hasmukh B. Gandhi and Apurva R. Shah retire by rotation and being eligible, offer themselves for reappointment. Milind H. Gandhi, additional director will cease to hold office at the forthcoming Annual General Meeting and is eligible for appointment.

Attention of the members is invited to the relevant items in Notice of Annual General Meeting and Explanatory Statement thereto.

#### Finance

The Company is availing working capital requirements from consortium of bankers. The Company has also availed term loan from banks for windmill projects.

#### Deposit

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules, 1975. There are no deposits which are outstanding and/or which is claimed and not paid or unclaimed for which information is required to be given in the report.

#### Insurance

The properties and assets of the Company are adequately insured.

#### Consolidated Financial Statement

In accordance with the Accounting Standard 21, issued by The Institute of Chartered Accountants of India, your Directors have attached the Audited Consolidated Financial Statements for the year ended March 31, 2009.

#### Corporate Governance

Pursuant to Clause 49 of the listing agreement with Bombay Stock Exchange Limited, a report on Corporate Governance, along with the Auditors' certificate regarding compliance of conditions of Corporate Governance and Management Discussion and Analysis is separately given in this Report.

#### Cash Flow

In conformity with the provision of Clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended March 31, 2009 is annexed hereto.

#### Notes on Accounts

Notes forming part of Accounts are self-explanatory.

#### Listing Arrangements

The Equity Shares of the Company are listed on Bombay Stock Exchange Limited. The Company has paid listing fees for the year 2009-10.

#### Dematerialization of Shares

In terms of the listing agreement the Company has tripartite agreements with the Registrar and Share Transfer Agent i.e. Bigshare Services Private Limited, National Securities Depository Limited and Central Depository Services (India) Limited respectively.

**Auditors**

V. A. Parikh & Associates, Chartered Accountants, the retiring Auditors of the Company, hold office up to the conclusion of the ensuing Annual General Meeting. The Company has received a certificate from the said firm to the effect that their appointment if made at Annual General Meeting would be within the limits mentioned under Section 224 (1-B) of the Companies Act, 1956. The Directors recommend the re-appointment of V. A. Parikh & Associates as auditors for the financial year 2009-2010.

**Directors' Responsibility Statement**

On the basis of compliance certificates received from the executives of the Company, subject to disclosures in Annual Accounts, and also on the basis of discussion with the Statutory Auditors of the Company from time to time, we state as under:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the Profit and Loss Account of the Company for the year ended on that date;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the annual accounts of the Company on a going concern basis.
- Your Company has received certificate under section 274(1) (g) of the Companies Act, 1956 and none of the Directors are disqualified to act as Director.

**Particulars of Employees**

In terms of provision of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, the name and other particulars of the employees are required to be set out in Annexure to the Director's Report. However, as per the provision of Section 219(1) (b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Member who is interested in obtaining such particulars may write to the Compliance Officer at the Registered Office of the Company.

**Particulars under Companies (Disclosure of particulars to the report of Board of Directors) Rules, 1988:-****Conservation of Energy**

The activity of the Company does not require large-scale consumption of energy and the Company is not covered in the list of industries required to furnish information in Form - A relating to conservation of energy.

**Technology Absorption**

The Directors are in constant touch with ongoing research in the world to upgrade and absorb improved technology for better line of products and to yield better quality, cost reduction and worldwide acceptability of its range of products.

**Foreign Exchange Earnings and Outgo**

The Company has earned Rs. 94,683.73 lacs in foreign exchange by way of exports and has spent Rs.52,381.34 lacs in foreign exchange, for the imports of materials & consumables, foreign travel, value-added services fees, diamond grading charges and repairs and maintenance. The Directors are making their best endeavors to earn foreign exchange.

**Appreciation**

The Directors thank the Company's Customers, Contractors, Shareholders, Bankers, Financial Institutions and Central & State Governments for their consistent support to the Company. The Directors also sincerely acknowledge the significant contributions made by all the employees for their dedicated services to the Company.

Place: Mumbai

For and on behalf of the Board

Dated: July 24, 2009

**Registered Office:**

114-C, Mittal Court,  
Nariman Point, Mumbai 400 021.

**Dinesh T. Shah**  
Chairman

**Vipul P. Shah**  
CEO & Managing Director



Report on  
Corporate  
Governance



## REPORT ON CORPORATE GOVERNANCE

### I. Company's Philosophy

The Company believes that good corporate governance practices should be enshrined in all activities of the Company. This would ensure efficient conduct of the affairs of the Company and help the Company achieve its goal of maximizing value for all its shareholders. The Company has complied with the requirements of the revised guidelines on corporate governance stipulated under clause 49 of the Listing Agreement with the BSE. With the adoption of a Code of Conduct for Board of Directors and senior management personnel and the implementation of a Whistle Blower Policy, the Company has moved further in its pursuit of excellence in corporate governance.

### II. Board of Directors

(a) The Company has 10 directors on the Board. The Company has a Promoter Non-Executive Chairman and 5 Independent Directors i.e. half of the total number of Directors on its Board. Composition of the Board of Directors includes 4 Executive Directors and 6 Non-Executive Directors. Board has also formed the committees as mentioned herein below in terms of Clause 49 of the Listing Agreement. None of the Directors is a member on the board committees of more than ten companies or acting as Chairman of more than five companies in which he is a Director.

During the year 2008-09, the Board of Directors met 6 times (10.05.2008, 17.06.2008, 25.07.2008, 04.09.2008, 16.10.2008 and 29.01.2009) with clearly defined agenda of the meetings sent in advance with suitable notes to the Directors.

The Board has agreed that Executive Directors of the Company are responsible for the day to day affairs of the Company. The details of the Directors on the Board of your Company for the year 2008-09 are given below:

Name	Category	Board Meetings attended	Last AGM attendance	No. of outside directorship held in public companies	No. of Board Committee# of which he is a member	No. of Board Committee# of which he is a Chairman
				---Other than Asian Star Company Limited---		
Dinesh T. Shah	Promoter Non Executive Chairman	6	Yes	-	-	-
Arvind T. Shah	Promoter Executive Director	5	Yes	-	-	-
Dharmesh D. Shah	Promoter Executive Director	4	No	-	-	-
Vipul P. Shah	Promoter Executive Director	5	Yes	-	-	-
Priyanshu A. Shah	Promoter Executive Director	5	No	-	-	-
K. Mohanram Pai	Independent Non Executive Director	5	No	1	-	-
Bhupenda K. Shroff	Independent Non Executive Director	6	Yes	2	1	2
Apurva R. Shah	Independent Non Executive Director	5	Yes	6	5	1*
Hasmukh B. Gandhi	Independent Non Executive Director	6	Yes	3	-	-
Milind H. Gandhi @	Independent Non Executive Director	2	-	-	-	-

# Committee includes position of membership/chairmanship in Audit Committee, Remuneration Committee & Shareholders Committee of Companies other than Asian Star Company Limited.

\* Apurva R. Shah is Alternate Chairman of Audit Committee of Shantivijay Jewels Ltd.

@ Milind H. Gandhi was appointed as Non Executive Independent Additional Director on 16.10.2008. and he is proposed to be appointed as Director at Annual General Meeting.

(b) Non-Executive Directors are paid sitting fees for attending the Board Meeting or Committee Meetings. Non-Executive Directors are not paid any commission. None of Non-Executive Directors has any material financial interest in the Company.

(c) Code of Conduct: The Company has framed a Code of Conduct for the members and executive officers. The same is complied with.

### III. Audit Committee

The Board of your Company has constituted a very qualified audit committee which promotes relationship of accountability between the Board, Management and Statutory Auditors. The composition of the committee and the attendance of each member of the committee are given below:

Name	Designation	Category	Committee Meetings Attendance
Bhupendra K. Shroff	Chairman	Non-Executive Independent Director	5
Apurva R. Shah	Member	Non-Executive Independent Director	4
K. Mohanram Pai	Member	Non-Executive Independent Director	5
Arvind T. Shah	Member	Executive Director	4

During the year 2008-09, the Audit Committee met 5 times (10.05.2008, 17.06.2008, 25.07.2008, 16.10.2008 and 29.01.2009) with clearly defined agenda of the meetings.

The role and terms of reference of the Audit Committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement with the BSE read with Section 292A of the Companies Act, 1956.

The previous Annual General Meeting of the Company was held on September 04, 2008 and Bhupendra K. Shroff, the Chairman of the Audit Committee, attended the said meeting.

### IV. Remuneration Committee (non-mandatory)

The following are the committee members:

- 1) Hasmukh B. Gandhi (Chairman)
- 2) Bhupendra K. Shroff
- 3) Apurva R. Shah

Payment of remuneration to all the Executive Directors is recommended by the Remuneration Committee reviewing the abilities and contribution of the individual Directors. The remuneration is approved by shareholders. Non-Executive Directors were paid sitting fees within the limits prescribed under the Act.

The details of actual payments made during the financial year 2008-09 to the Executive Directors of the Company are given below:

(Rs. In lacs)

Name	Designation	Gross Salary
Vipul P. Shah	CEO & Managing Director	25
Dharmesh D. Shah	CFO & Jt. Managing Director	25
Arvind T. Shah	Executive Director	25
Priyanshu A. Shah	Executive Director	12

### V. Shareholders Committee

The following are the committee members:

- 1) Bhupendra K. Shroff (Chairman)
- 2) Apurva R. Shah
- 3) K. Mohanram Pai
- 4) Arvind T. Shah

The committee reviews redressing of shareholders & investors complaints like non-receipt of Balance Sheet, non-receipt of declared dividend, etc. The committee also reviews the functioning & activities of Registrar & Transfer Agent & related investor grievances. The Company obtained & filed with BSE, Secretarial Audit Report from a Practising Company Secretary as required under SEBI for each quarter as to reconciliation of total shares held in depository & physical form.

No. of queries/complaints	Received	Redressed	Unresolved
Letters from shareholders	Nil	Nil	Nil

## Compliance Officer and Address for Correspondence

Name & Designation	Telephone Number	Email - id	Fax No.
Jaykant Rathod, Compliance Officer	+9122 22821886	secretarial@asianstarco.com	+9122 22043747

## VI. Corporate Governance Committee

The following are the committee members:

- 1) Bhupendra K. Shroff (Chairman)
- 2) Hasmukh B. Gandhi
- 3) K. Mohanram Pai
- 4) Arvind T. Shah

The Committee looks after the due compliance with the Corporate Governance norms. All Board members and the members of senior management have complied with the Code of Conduct for Board of Directors and Prevention of Insider Trading Code.

The Company has obtained a certificate from the Auditors of the Company regarding compliance of conditions of corporate governance as stipulated in clause 49 of the listing agreement of the BSE and the same has been annexed to Directors' Report.

## VII. Finance Committee

The members of Finance Committee met 11 times (15.04.2008, 10.05.2008, 14.06.2008, 17.06.2008, 19.08.2008, 06.09.2008, 30.09.2008, 16.10.2008, 17.10.2008, 05.12.2008 and 14.03.2009). This committee sits regularly to decide on matters pertaining to banking, finance and working capital requirements. The following are the committee members:

1. Dinesh T. Shah (Chairman)
2. Arvind T. Shah
3. Vipul P. Shah
4. Dharmesh D. Shah
5. Priyanshu A. Shah

## VIII. General Body Meetings

## i) Annual General Meeting to be held on

Date : September 29, 2009

Time : 4.00 p.m.

Venue : Sangam Hall, Agarwal Bhavan, 100-C Marine Drive,  
Next to Indian Oil Petrol Pump, Mumbai - 400 002

Book Closure Date : September 23, 2009 to September 29, 2009 (Both the days inclusive)

Dividend Date : If approved at Annual General Meeting will be paid on or after September 29, 2009

## ii) Details on Annual General Meetings (AGM): Location and time, where last three AGMs were held:

Year	Venue	Date	Time
2005-06	Utsav Banquet Hall, Mumbai	September 12, 2006	4.00 p.m.
2006-07	Garware Club, Mumbai	September 03, 2007	4.00 p.m.
2007-08	Garware Club, Mumbai	September 04, 2008	4.00 p.m.

## iii) Whether any special resolutions passed in the previous 3 AGMs? Yes

## iv) Whether special resolutions were put through postal ballot last year? No

IX. Disclosures

- i) All materially significant related party transactions are detailed out in note no.4 of Schedule 'L' attached to the Balance Sheet.
- ii) Details of non-compliance by the Company, penalties, and strictures imposed on the Company by the Bombay Stock Exchange Limited or SEBI or any statutory authority, on any matter related to capital markets, during the last three years? - None.
- iii) The Company has formulated a mechanism for employees to report about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The Compliance Officer and Audit Committee acts upon any reporting under whistle blower policy.

X. Means of Communication

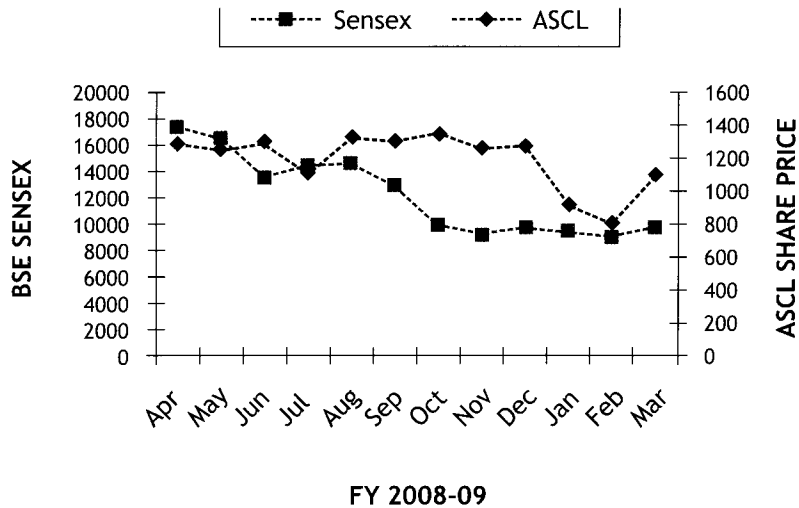
Quarterly results are taken on record by the Board of Directors and submitted to the Bombay Stock Exchange Limited in terms of the requirements of Clause 41 of the Listing Agreement. Quarterly results are published in The Financial Express and Dainik Mumbai Lakshadeep. The Company posts its financial results on SEBI website for all quarters.

XI. General Shareholder Information

Sr. No.	Information	
1	Annual General Meeting - Date and Time - Venue	September 29, 2009 at 4.00 p.m. Sangam Hall, Agarwal Bhavan, 100-C Marine Drive, Next to Indian Oil Petrol Pump, Mumbai - 400 002.
2.	Financial Calendar - First quarter - Second quarter/Half year - Third quarter - Audited Annual Results	(Tentative Schedule) Fourth week of July, 2009 Fourth week of October, 2009 Fourth week of January, 2010 Fourth week of June, 2010
3.	Book Closure Date (Both days inclusive)	September 23, 2009 to September 29, 2009 (Both the days inclusive)
4.	Dividend Payment Date	Dividend as recommended by the Board of Directors, if declared at the meeting, will be paid within prescribed time, subject to deduction of tax, if any.
5.	Listing on Stock Exchange at	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023
6.	Stock Code	ASAN.BO/531847 Bombay Stock Exchange Limited

## 7. Month-wise Stock Market Data relating to equity shares of the Company

Performance of equity shares of Asian Star Company Limited (ASCL) on BSE in comparison to BSE SENSEX



Closing	Sensex	ASCL
Apr'08	17,287.31	1,287.65
May'08	16,415.57	1,248.90
Jun'08	13,461.60	1,294.00
Jul'08	14,355.75	1,102.90
Aug'08	14,564.53	1,325.50
Sep'08	12,860.43	1,300.00
Oct'08	9,788.06	1,342.60
Nov'08	9,092.72	1,257.85
Dec'08	9,647.31	1,274.00
Jan'09	9,424.24	905.00
Feb'09	8,891.61	797.50
Mar'09	9,708.50	1,093.25

Month-wise data for Equity shares of the Company at BSE:

Month	Price during each month		Month	Price during each month	
	High	Low		High	Low
Apr'08	1420.00	1077.00	Oct'08	1450.00	1076.00
May'08	1480.00	1102.00	Nov'08	1388.00	1190.00
Jun'08	1379.90	1040.00	Dec'08	1570.00	1195.00
Jul'08	1400.00	950.00	Jan'09	1345.00	760.00
Aug'08	1360.00	1050.50	Feb'09	964.00	778.50
Sep'08	1450.00	1225.50	Mar'09	1270.00	753.00

## 8. Registrar & Share Transfer Agents:

Bigshare Services Pvt. Ltd.

E-2/3, Ansa Indl. Estate, Saki Vihar Road,

Saki Naka, Andheri (East), Mumbai 400 072. Tel : 2847 3474 Fax : 2847 5207

## 9. Share Transfer System:

Transfer of shares in physical form, the transfer documents can be lodged with Registrars & Share Transfer Agents of the Company, Bigshare Services Pvt. Ltd. at the address mentioned above. Transfer of shares in physical form is normally processed within 15 days from the date of receipt, if the documents are complete in all respect.

10. Distribution of equity shareholding as on March 31, 2009 :

No. of shares		No. of share holders	% of Total share holders	No of shares	% of Total shares
1	500	374	94.44	14,314	0.13
501	1,000	4	1.01	2,996	0.03
1,001	2,000	1	0.25	2,000	0.02
2,001	3,000	0	0.00	0	0.00
3,001	4,000	0	0.00	0	0.00
4,001	5,000	1	0.25	4,700	0.04
5,001	10,000	0	0.00	0	0.00
10,001	10,001 & above	16	4.05	10,647,190	99.78
<b>Total</b>		<b>396</b>	<b>100.00</b>	<b>10,671,200</b>	<b>100.00</b>

11. Categories of equity shareholding as on March 31, 2009:

Category	No of Folios	No of shares held	% of total shares held
Indian promoters	9	8,000,000	74.97
Body Corporate	33	1,711,934	16.04
Indian Public	348	22,832	0.21
NRI & OCB's	3	638,629	5.99
Clearing Member	2	65	0.00
Insurance Companies	1	297,740	2.79
<b>Total</b>	<b>396</b>	<b>10,671,200</b>	<b>100.00</b>

12. Dematerialisation of Shares and Liquidity: 10,661,798 equity shares i.e. 99.91 % of equity shares have been dematerialized upto March 31, 2009.

13. Manufacturing Facilities :

**Cut & Polished Diamonds**

F.P.no. 138 & 151, Plot No.1,  
Near Sandesh Paper Press,  
Purushottam Ginning Mill Compound,  
A. K. Road, Surat, Gujarat -395 001.

**Diamond Studded Jewellery**

Plot No.5, F-11/12, WICEL  
Opp. SEEPZ, MIDC (Marol)  
Central Road, Andheri (East),  
Mumbai 400 093.

**Wind Energy**

Sangli, Maharashtra.,  
Dindugul and Coimbatore,  
Tamil Nadu  
Pallakad, Kerala

14. Members can contact us at our registered office:

**Asian Star Company Limited**

114-C, Mittal Court, Nariman Point,  
Mumbai 400 021.

Email: [secretarial@asianstarco.com](mailto:secretarial@asianstarco.com)

Tel.: +91 22- 2282 1886

Fax: +91 22- 2204 3747.

Some of the points referred in non-mandatory requirements under Annexure ID of Clause 49 of the Listing Agreement are being pursued by the Company.

## DECLARATION REGARDING COMPLIANCE BY THE BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

In accordance with Clause 49 sub clause I (D) of the listing agreement with the Bombay Stock Exchange Limited, I confirm that, all the Directors and the Senior Management Personnel of the Company have affirmed compliance to the Company's Code of Conduct, as applicable to them for the Financial Year ended March 31, 2009.

For Asian Star Company Limited

Place: Mumbai  
Date: July 24, 2009

**Vipul P. Shah**  
CEO & Managing Director

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To The Members,  
Asian Star Company Limited.

We have examined the compliance of conditions of Corporate Governance by Asian Star Company Limited, for the year ended on March 31, 2009 as stipulated in clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Ltd.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to explanations given to us, and based on the representations made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For V. A. Parikh & Associates**  
Chartered Accountants

Place: Mumbai  
Date: July 24, 2009

**Jinesh J. Shah**  
Partner  
Membership No. 111155

## Financial Section



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## AUDITORS' REPORT

To,

### The Members of Asian Star Company Limited

1. We have audited the attached Balance Sheet of Asian Star Company Limited as at March 31, 2009, Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by Companies (Auditor's Report) (Amendment) Order, 2004 (together 'the order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of said order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of Account.
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in the sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e) On the basis of written representations received from the Directors, as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on March 31, 2009 from being appointed as a Director in terms of clause (g) of subsection (1) of section 274 of Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2009 ;
    - ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date ; and
    - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For V. A. Parikh & Associates**  
Chartered Accountants

**Jinesh J. Shah**  
Partner  
Membership No. 111155

Place : Mumbai  
Date : June 26, 2009

## ANNEXURE TO AUDITORS' REPORT

Re: Asian Star Company Limited

Referred to in paragraph 3 of our report of even date:

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
b) *As explained to us, all the assets have been physically verified by the Management at the end of the accounting year and no material discrepancies were noticed on physical verification as compared to the book records.*  
c) The assets disposed off during the year are not significant and therefore do not affect the going concern assumption.
2. a) The stock of finished goods and raw-materials have been physically verified by the management at the end of the accounting year.  
b) In our opinion, and according to the information and explanations given to us, the procedures of physical verifications of stocks followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.  
c) In our opinion the Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification as compared to the book records.
3. a) The Company has not granted any loan (secured or unsecured) to companies, firms or other parties covered in the register maintained under Section 301 of the Act. In view of this sub clause (b), (c) and (d) of this clause are not applicable.  
e) The Company has not taken any loan (secured or unsecured) from companies, firms or other parties covered in the register maintained under Section 301 of the Act except for unsecured loan of Rs. 1950 Lacs from 5 directors.  
f) These loans are unsecured, interest free and unconditional loans.  
g) *The principal amounts are repayable on demand and there is no repayment schedule.*
4. In our opinion and according to the information and explanations given to us, the Company has an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and also for sale of goods and services. During the course of our audit, no major weaknesses were noticed in the internal control system.
5. a) In our opinion and according to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered into the register maintained under Section 301 have been properly entered in the said register.  
b) *In our opinion and according to the information and explanations given to us, the transactions entered in the register maintained under Section 301 in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time and as per the Company's business need and exigencies.*
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under.
7. In our opinion, the Company has internal audit system commensurate with the size and nature of it's business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

9. a) According to the records of the Company and as per information and explanation given to us, the Company is generally regular in depositing with appropriate authorities undisputed amount of Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other statutory dues applicable to it and there were no undisputed dues outstanding as on March 31, 2009 for a period of more than six months from the date they become payable.
- b) In our opinion and according to the information and explanation given to us, there are no dues in respect of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess that have not been deposited on account of any dispute.
10. The Company neither has any accumulated losses at the end of the financial year nor it has incurred any cash loss during the financial year or immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any Financial Institution or Bank.
12. In our opinion and according to the information and explanations given to us the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or other securities.
13. The Company is not a chit/nidhi/mutual benefit fund/society and hence clause (xiii) of the Order is not applicable.
14. In our opinion, the Company has maintained proper records of transactions and contracts in respect of dealing or trading in shares, securities and other investments and timely entries have been made therein. All shares and other investments have been held by the Company in its own name except for shares held in accordance with exemption provided under section 49 (3) of the Companies Act, 1956.
15. In our opinion and according to the information and explanations given to us, the guarantee given by the Company in respect of loans taken by others from bank, the terms and conditions thereof is not prejudicial to the interest of the Company.
16. According to the information and explanations given to us, the term loan has been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us, the short term funds raised by the Company have not been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. The Company has not issued any debentures during the financial year.
20. The Company has not raised any money by public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been reported during the year.

**For V. A. Parikh & Associates**  
Chartered Accountants

**Jinesh J. Shah**  
Partner  
Membership No. 111155

Place : Mumbai  
Date : June 26, 2009

**ASIAN STAR COMPANY LIMITED**  
**BALANCE SHEET AS AT MARCH 31, 2009**

(Rs. in Lacs)

	Schedule	MARCH 31, 2009		MARCH 31, 2008
<b>SOURCES OF FUNDS</b>				
<b>Shareholders Funds</b>				
Share Capital	A	3,587.12	3,587.12	
Reserves and Surplus	B	30,927.20	29,373.02	32,960.14
<b>Loan Funds</b>				
Secured Loans	C	50,759.95	53,389.74	
Unsecured Loans		1,950.00	875.00	54,264.74
<b>Deferred Tax Liability</b>				
		2,330.46		984.07
		<b>89,554.73</b>		<b>88,208.95</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	D	16,263.61	11,456.25	
Less : Depreciation		1,720.20	1,066.90	10,389.35
<b>Capital Work in Progress</b>				
		128.54		2,016.69
<b>Investments</b>				
	E	1,306.15		2,889.98
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	F	26,884.50	28,261.72	
Sundry Debtors		38,903.27	41,424.54	
Cash & Bank Balances		7,504.12	8,821.82	
Loans & Advances		5,038.77	7,877.42	
		78,330.66	86,385.50	
<b>Less: Current Liabilities and Provisions</b>				
Current Liabilities	G	1,789.02	7,779.44	
Provisions		2,965.01	5,693.13	
		4,754.03	13,472.57	
<b>Net Current Assets</b>				
		73,576.63		72,912.93
		<b>89,554.73</b>		<b>88,208.95</b>
Significant Accounting Policies and Notes forming part of Accounts				
	L			

As per our report of even date

For and on behalf of the Board

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants

**JINESH J. SHAH**  
Partner

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Date : June 26, 2009

Place : Mumbai  
Date : June 26, 2009

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

(Rs. in Lacs)

	Schedule	MARCH 31, 2009		MARCH 31, 2008
<b>INCOME</b>			130,510.62	
Sales & Services	H	125,500.92		
Other Income	I	23.44	1,630.76	132,141.38
<b>EXPENDITURE</b>			111,835.52	
Material Cost	J	104,600.78	9,715.21	
Manufacturing and Other Expenses	K	9,876.44	1,903.80	
Purchase of Polished Diamonds/Jewellery		4,494.35	2,897.94	
Interest		2,631.38	316.31	126,668.78
Depreciation		661.41		
<b>PROFIT</b>			3,260.00	5,472.60
Profit Before Tax			-	1,106.00
Provision for Tax			1,346.39	319.23
Provision for Deferred Tax			13.35	13.50
Provision for Fringe Benefit Tax			1,900.26	4,033.87
Profit After Tax			(7.94)	2.23
Prior Year Adjustments			12,774.90	9,276.94
Balance Brought forward			14,667.22	13,313.04
Balance Available for Appropriation				
<b>APPROPRIATION</b>			75.60	75.60
Proposed Dividend on Preference Shares			213.42	213.42
Proposed Dividend on Equity Shares			49.12	49.12
Tax on Dividend			200.00	200.00
Transfer to General Reserve			14,129.08	12,774.90
Balance Carried to Balance Sheet			14,667.22	13,313.04
Earning Per Share (Basic and Diluted) (Rs.)			16.90	36.99
Significant Accounting Policies and Notes forming part of Accounts	L			

As per our report of even date

For and on behalf of the Board

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants

**JINESH J. SHAH**  
Partner

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Date : June 26, 2009

Place : Mumbai  
Date : June 26, 2009

Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

SCHEDULE A - SHARE CAPITAL

(Rs. in Lacs)

	MARCH 31, 2009	MARCH 31, 2008
<b>Authorised</b>		
1,50,00,000 (1,50,00,000) Shares of Rs.10 each	1,500.00	1,500.00
5,00,00,000 (5,00,00,000) Redeemable Cumulative Preference shares of Rs.10 each	5,000.00	5,000.00
	<b>6,500.00</b>	<b>6,500.00</b>
<b>Issued, Subscribed and Paid-up</b>		
1,06,71,200 (1,06,71,200) equity shares of Rs. 10 each	1,067.12	1,067.12
2,52,00,000 (2,52,00,000) 3% Redeemable Cumulative Preference Shares of Rs. 10 each (Redeemable within twenty years from the date of issue - March 2006)	2,520.00	2,520.00
	<b>3,587.12</b>	<b>3,587.12</b>

SCHEDULE B - RESERVES AND SURPLUS

(Rs. in Lacs)

	MARCH 31, 2009	MARCH 31, 2008
<b>Capital Reserves</b>		
As per Last Balance Sheet	298.16	0.16
Addition during the year *	-	298.00
	<b>298.16</b>	<b>298.16</b>
<b>Share Premium</b>		
As per Last Balance Sheet	1,736.28	1,736.28
<b>General Reserve</b>		
As per Last Balance Sheet	14,563.68	14,401.40
Less:- Charge on account of transitional provisions of Employee Benefits under AS-15 (net of deferred tax)	-	37.72
Add:- Transfer from Profit and Loss Account	200.00	200.00
	<b>14,763.68</b>	<b>14,563.68</b>
Surplus as per Profit and Loss Account	14,129.08	12,774.90
	<b>30,927.20</b>	<b>29,373.02</b>

\* Represents share in the self generated goodwill of partnership firm - Jewel Art

## Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## SCHEDULE C - LOAN FUNDS

(Rs. in Lacs)

	MARCH 31, 2009	MARCH 31, 2008
<b>Secured Loans</b>		
Working Capital Loan from Banks	46,875.20	53,389.74
Secured by		
a. Fixed Deposit		
b. Hypothecation of Stock in Trade and Book Debts		
c. Hypothecation of Premises at Mumbai and Surat		
d. Guaranteed by some of the Directors in their personal capacity		
All loans are repayable within one year		
Term Loan from Banks	3,884.75	-
Secured by		
a. Fixed Deposits		
b. First charge on windmill, all related equipments, systems & accessories at Kerala & Tamilnadu		
c. Equitable mortgage of the land covered under the windmill project at Kerala & Tamilnadu		
Loan repayable within one Year Rs. 450.76 (Rs.Nil)		
	A	
	50,759.95	53,389.74
<b>Unsecured Loans</b>		
Loan from Directors	B	
	1,950.00	875.00
	A + B	
	52,709.95	54,264.74

## SCHEDULE D - FIXED ASSETS

(Rs. in Lacs)

Description of Assets	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at April 1, 2008	Additions	Deduction	As at March 31, 2009	As at April 1, 2008	For the Year	Deductions	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
Goodwill	50.00	-	-	50.00	-	-	-	-	50.00	50.00
Land	666.81	108.00	-	774.81	-	-	-	-	774.81	666.81
Office Premises	3,189.77	3.92	-	3,193.69	105.17	52.02	-	157.19	3,036.50	3,084.60
Factory Premises	609.28	0.53	-	609.81	82.08	20.35	-	102.43	507.38	527.20
Plant & Machinery	6,145.88	4,680.77	3.69	10,822.96	688.01	529.95	0.02	1,217.94	9,605.02	5,457.87
Vehicles	284.84	9.02	9.09	284.77	81.79	25.94	8.09	99.64	185.13	203.05
Furniture & Fixtures	509.67	19.41	1.51	527.57	109.85	33.15	-	143.00	384.57	399.82
<b>CURRENT YEAR</b>	<b>11,456.25</b>	<b>4,821.65</b>	<b>14.29</b>	<b>16,263.61</b>	<b>1,066.90</b>	<b>661.41</b>	<b>8.11</b>	<b>1,720.20</b>	<b>14,543.41</b>	<b>10,389.35</b>
<b>PREVIOUS YEAR</b>	<b>5,662.70</b>	<b>5,826.96</b>	<b>33.41</b>	<b>11,456.25</b>	<b>757.04</b>	<b>316.31</b>	<b>6.47</b>	<b>1,066.90</b>	<b>10,389.35</b>	<b>4,905.66</b>

Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

SCHEDULE E - INVESTMENT

(Rs.in Lacs)

	MARCH 31, 2009	MARCH 31, 2008
<b>In Shares</b>		
<b>Long Term Investments:</b>		
<b>Unquoted:</b>		
Wholly owned subsidiary- Asian Star Co.Ltd., USA 5(5) Shares of US\$ 100000 each.	178.75	178.75
Wholly owned subsidiary - Inter Gems DMCC 200 (200) Shares of AED 1,000 each	12.01	12.01
Wholly owned subsidiary- Asian Star Jewels Pvt Ltd 10000(Nil) Shares of Rs. 10 each.	1.00	-
Krishana Sagar Builders Ltd 40000 (40000) Shares of Rs.10 each.	100.00	100.00
	291.76	290.76
<b>Current Investments:</b>		
<b>Quoted:</b>		
<b>In Shares</b>		
Classic Diamonds 5000 (5000) Shares of Rs. 2 each	4.69	4.69
Flawless Diamond 10 (10) Shares of Rs. 10 each	0.01	0.01
Gitanjali Gems Ltd. 1000 (1000) Shares of Rs. 10 each	2.21	2.21
Golddiam International 1000 (1000) Shares of Rs. 10 each	0.96	0.96
Golkunda Diamond 10 (10) Shares of Rs. 10 each	0.01	0.01
Parekh Platinum 10 (10) Shares of Rs. 10 each	0.01	0.01
Rajesh Exports 600 (600) Shares of Re. 1 each	0.51	0.51
S.B. & T Inter Ltd. 10 (10) Shares of Rs. 10 each	0.01	0.01
Shantivijay Jewels 10 (10) Shares of Rs. 10 each	0.01	0.01
Shrenuj & Co. Ltd. 1000 (1000) Shares of Rs. 2 each	0.44	0.44
Suashish Diamonds Ltd. 1000 (1000) Shares of Rs. 10 each	1.85	1.85
Su-Raj Diamonds & Jewellery Ltd. 1000 (1000) Shares of Rs. 10 each	0.57	0.57
Vaibhav Gems Ltd. 10 (10) Shares of Rs. 10 each	0.03	0.03
Zodia JRD MKJ 10 (10) Shares of Rs. 10 each	0.01	0.01
A	11.32	11.32



## Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## SCHEDULE E - INVESTMENT CONTD...

(Rs.in Lacs)

		MARCH 31, 2009	MARCH 31, 2008
<b>Quoted:</b>			
<b>In Mutual Funds</b>			
JM Agri & Infra Fund 250000 (250000) units of Rs.10 each	25.00	25.00	25.00
JM Basic Fund 84555 (84555) units of Rs.10 each	25.00	25.00	25.00
JP Morgan India EQ Fund 176267 (176267) units of Rs.10 each	25.00	25.00	25.00
Reliance Diver.Pow.Sec Fund 47975 (47975) units of Rs.10 each	25.00	25.00	25.00
Reliance Media & Ent Fund 63081 (63081) units of Rs.10 each	25.00	25.00	25.00
Reliance Vision Fund 39708 (39708) units of Rs.10 each	25.00	25.00	25.00
	<b>B</b>	<b>150.00</b>	<b>150.00</b>
Total	<b>A+B</b>	<b>161.32</b>	<b>161.32</b>
Less : Diminution in market value of current investment		<b>(106.35)</b>	<b>(44.63)</b>
		<b>54.97</b>	<b>116.69</b>
<b>Market Value</b>			
(Current Year Rs.54.97 Lacs)			
(Previous Year Rs.116.69 Lacs)			
<b>In Partnership Firm</b>			
Jewel Art		<b>959.42</b>	<b>2,482.53</b>
		<b>1,306.15</b>	<b>2,889.98</b>

Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

SCHEDULE F - CURRENT ASSETS, LOANS AND ADVANCES

(Rs. in Lacs)

		MARCH 31, 2009	MARCH 31, 2008
<b>Current Assets</b>			
<b>Inventories</b>			
(As verified, valued and certified by a Director)			
Raw Materials	9,075.04	17,153.79	
Work In Progress	583.32	756.98	
Finished Goods	17,211.15	10,339.36	
Consumables	4.12	3.67	
Silver Stock	10.87	7.92	
		<b>26,884.50</b>	<b>28,261.72</b>
<b>Sundry Debtors</b>			
(Unsecured, Considered Good)			
For a period more than six months			
Considered Good	3,191.90	894.45	
Considered doubtful	-	-	
	<b>3,191.90</b>	<b>894.45</b>	
Others			
Considered Good	35,711.37	40,530.10	
	<b>35,711.37</b>	<b>40,530.10</b>	
		<b>38,903.27</b>	<b>41,424.54</b>
<b>Cash and Bank Balances</b>			
Cash on Hand	41.26	51.80	
<b>Balances with Scheduled Bank</b>			
In Current Accounts	1,270.05	2,641.58	
In Fixed Deposits	6,192.81	6,128.44	
		<b>7,504.12</b>	<b>8,821.82</b>
<b>Loans and advances</b>			
(Unsecured, Considered good)			
Advance Income Tax	3,040.38	5,524.96	
Other Advances	1,774.98	2,133.22	
Staff Loans	7.43	7.20	
	<b>4,822.79</b>	<b>7,665.38</b>	
<b>Deposits</b>			
For Office Premises	152.86	153.31	
With Others	63.12	58.72	
	<b>215.98</b>	<b>212.03</b>	
		<b>5,038.77</b>	<b>7,877.42</b>
		<b>78,330.66</b>	<b>86,385.50</b>

## Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## SCHEDULE G - CURRENT LIABILITIES &amp; PROVISIONS

(Rs.in Lacs)

	MARCH 31, 2009		MARCH 31, 2008
<b>Current Liabilities</b>			
Creditors for Goods	739.89	4,585.20	
Creditors for Processing	601.96	820.80	
Creditors for Others	376.89	402.62	
		1,718.74	5,808.62
Creditors for Capital Goods		62.25	1,694.86
Temporary Overdraft		7.91	275.92
Unclaimed Dividend *		0.12	0.04
		1,789.02	7,779.44
<b>Provisions</b>			
Proposed Dividend	289.02	289.02	
Tax on Dividend	49.12	49.12	
Taxation	2,626.87	5,354.99	
		2,965.01	5,693.13
		<b>4,754.03</b>	<b>13,472.57</b>

\* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.

## SCHEDULE H - SALES &amp; SERVICES

(Rs.in Lacs)

	MARCH 31, 2009	MARCH 31, 2008
Sales - Diamonds	118,614.24	124,690.25
Sales - Jewellery	6,166.87	5,531.17
Sales of Mounting etc.	-	4.72
Sales of Power - Windmill	598.74	127.16
Jewellery Making Charges	121.07	157.32
	<b>125,500.92</b>	<b>130,510.62</b>

## SCHEDULE I - OTHER INCOME

(Rs.in Lacs)

	MARCH 31, 2009	MARCH 31, 2008
Dividend Received	1.78	14.18
Profit on Sale of Shares	-	182.54
Exchange Difference Others	-	52.01
Bad Debts Recovered	0.62	-
Miscellaneous Receipts	92.15	61.63
Share of Profit from Partnership Firm	(71.11)	1,320.40
	<b>23.44</b>	<b>1,630.76</b>

Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

SCHEDULE J - MATERIAL COST

(Rs.in Lacs)

		MARCH 31, 2009	MARCH 31, 2008
Stock at the Commencement	17,161.71	16,287.34	
Purchases during the year	103,223.11	114,960.97	
	<u>120,384.82</u>	<u>131,248.31</u>	
Less : Stock at the Close	<u>9,085.91</u>	<u>17,161.71</u>	
		111,298.91	114,086.60
Variation in Stock of Work In Progress			
Stock at the Commencement	756.98	903.81	
Less: Stock at the Close	<u>583.32</u>	<u>756.98</u>	
		173.66	146.83
Variation in Stock of Finished Goods			
Stock at the Commencement	10,339.36	7,941.45	
Less: Stock at the Close	<u>17,211.15</u>	<u>10,339.36</u>	
		(6,871.79)	(2,397.91)
		<u>104,600.78</u>	<u>111,835.52</u>

SCHEDULE K - MANUFACTURING & OTHER EXPENSES

(Rs.in Lacs)

		MARCH 31, 2009	MARCH 31, 2008
<b>Manufacturing Expenses</b>			
Processing Expenses	6,319.11	6,373.75	
Wages	134.08	114.04	
Contribution to E.S.I.C.	3.76	3.73	
Contribution to Provident Fund	8.52	7.44	
Electrical Charges	68.38	61.65	
Consumables	144.57	293.91	
Factory Expenses	<u>115.58</u>	<u>63.01</u>	
		6,794.00	6,917.53
<b>Employee's Emoluments</b>			
Salary & Bonus	852.20	735.15	
Director's Remuneration	87.00	37.05	
Gratuity	44.03	12.17	
Ex Gratia & Leave Encashment	45.87	20.67	
M.L.W.F. Expenses	0.45	0.42	
Contribution to Provident Fund	50.22	47.38	
Group Insurance	14.95	12.17	
Contribution to E.S.I.C.	9.82	9.44	
Staff Welfare Expenses	<u>33.56</u>	<u>29.94</u>	
		1,138.10	904.39
<b>Administrative Expenses</b>			
Bank Comission & Charges	112.33	112.46	
Electrical Charges	136.73	81.00	
Telephone, Internet and Fax Charges	48.91	51.41	
Local Travelling and Conveyance	41.13	36.90	
Legal & Professional fees	78.99	51.24	
Audit Fees	2.76	3.37	
Printing & Stationery	22.12	16.46	
Repairs & Maintenance (Other)	88.19	38.95	
Repairs & Maintenance (Building)	4.05	1.35	
Repairs & Maintenance (Plant & Machinery)	21.86	20.12	
Postage and Courier	21.30	18.51	
Motor Car Expenses	23.95	20.09	
Provision for Doubtful Debts written back	-	(165.76)	

Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## SCHEDULE K - MANUFACTURING &amp; OTHER EXPENSES CONTD...

(Rs.in Lacs)

		MARCH 31, 2009	MARCH 31, 2008
Bad Debts	-		165.76
Insurance Premium	122.77		108.79
Income Tax	0.42		7.32
Rent & Compensation	82.01		53.76
Donation	38.45		62.05
Office Canteen Expenses	28.48		26.71
Office Expenses	6.24		10.46
Director's Sitting Fees	1.33		1.01
Sundry Expenses	31.57		24.51
Security Charges	22.24		17.28
Loss on Sale of Assets	0.32		10.73
Registration & Filling Charges	0.67		3.28
Wealth Tax	1.59		0.91
Membership and Subscription	8.64		3.13
Diminution in market value of Current investment	61.72		44.63
		1,008.77	826.41
<b>Selling &amp; Distribution Expenses</b>			
Advertisement	28.62		38.70
Sales Expenses	372.42		512.32
Sales Tax	-		0.13
Entertainment Expenses	8.56		12.37
Foreign Travelling	87.74		112.12
Commission on Sales	106.35		141.78
Re-Assortment Charges	10.48		33.44
Freight & Clearing Charges	68.30		69.36
Agency Charges	7.73		10.73
E.C.G.C. Premium	93.13		63.99
Diamond Grading Charges	145.93		65.75
Packing Expenses	6.30		6.19
		935.56	1,066.88
		<b>9,876.44</b>	<b>9,715.21</b>

Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

SCHEDULE L

Notes annexed to and forming part of the Balance Sheet as at March 31, 2009 and Profit & Loss Account for the year ended on that date.

I - SIGNIFICANT ACCOUNTING POLICIES

**A. Basis for Preparation of Financial Statements**

The financial statements have been prepared using mercantile system of accounting under the historical cost convention. It recognises significant items of income and expenditure on accrual basis. The accounts have been prepared to comply in all material aspects with applicable accounting principles in India and the Accounting Standards issued by the Institute of Chartered Accountants of India.

**B. Sales**

Income from the sale of diamonds / studded jewellery is recognised when the sale has been completed with the passing of the title. Income from sale of wind energy is recognised on its transmission and delivery.

**C. Other Income**

**Interest**

Interest income is recognised on accrual basis.

**Insurance claim**

Insurance claim on loss by theft is recognised on the basis of acceptance of claim by the Insurance Company.

**Income from Investments**

Income from investment is accounted in the year in which the unconditional right to receive such income is established.

**D. Depreciation**

Depreciation on fixed assets has been provided at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956 on straight line basis.

**E. Impairment of Assets**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An Impairment loss is charged to the profit and loss account in the year in which the asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**F. Foreign Currency Transactions**

F.1 Transactions denominated in foreign currencies are normally recorded at the Exchange rate prevailing at the time of the transaction.

F.2 Monetary items denominated in foreign currencies at the year-end are translated at year-end exchange rate.

F.3 In case of forward contracts, the difference between the year end rate and rate on the date of contract is recognised as exchange difference. The proportionate difference between the forward rate and the exchange rate on the date of transaction is recognised over the life of the contract.

F.4 Non-monetary foreign currency items are carried at cost.

F.5 Any income or expense on account of exchange difference either on settlement or on translation is adjusted to the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

**G. Fixed Assets**

Cost of Fixed Assets comprises of purchase price, duties, levies and any cost directly attributable to bringing the asset to its working condition for the intended use. Fixed Assets are stated at cost less accumulated depreciation.

**H. Capital Work in Progress**

Capital work in progress comprises of cost of acquisition of assets, duties, levies and any cost directly attributable to bringing the asset to its working condition for the intended use Expenditure incurred on project under

**Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009**

implementation is treated as incidental expenditure incurred during construction and is pending allocation to the assets which will be allocated / apportioned on completion of the project.

**I. Borrowing Costs**

All borrowing costs, which are of revenue nature, are charged to Profit and Loss Account.

**J. Investment**

J.1 Long term investments are valued at cost. Provision for diminution in value is made only if such diminution is otherwise than temporary in the opinion of the management.

J.2 Current Investments-Quoted are valued at cost or market value, whichever is lower.

J.3 Investment in Partnership firm is accounted after including share of profit thereon as per last available audited information.

**K. Inventories**

K.1 Stock of raw materials is stated at weighted average cost or net realizable value whichever is lower. Stock of polished diamonds (for jewellery operations) is valued at technically evaluated cost or net realizable value whichever is lower. Specific items of cost are allocated and assigned to inventory wherever practicable.

K.2 Work in Process is valued at technically evaluated cost. Finished goods are valued at technically evaluated cost or estimated net realizable value, whichever is lower. Cost includes cost of material and related conversion cost. In view of the nature of variation in the values of individual diamonds and the differential in their processing costs, it is not practicable to compute the cost of polished diamonds using either FIFO or weighted average cost. In view of the numerous grades, it is not practicable to use specific costs. The method of valuation is therefore in compliance with "AS2" issued by the Institute of Chartered Accountants of India to the extent practicable.

K.3 Consumables are valued at cost.

**L. Employee Benefits****L1. Short-term Employees benefit**

Short term employees benefits are recognized in the period during which the service has been rendered.

**L2. Long-term Employees Benefit**

a) Provident Fund Act, Family pension fund & employees State Insurance Scheme.

As per Provident Fund Act, 1952 all employees of the company are entitled to receive benefits under the provident fund & family pension fund which is a defined contribution plan. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the company are covered under Employees State Insurance Scheme Act, 1948, which are also defined contribution Schemes recognized and administered by Government of India.

The Company's contributions to these schemes are recognized as expense in Profit and Loss account during the period in which the employee renders the related services. The company has no further obligation under these plan beyond its monthly contributions.

b) The Company provides for gratuity obligation through a Defined Benefit Retirement Plan ('The Gratuity Plan') covering its employees. The present value of the obligation under such Defined plan is determined based on actuarial valuation. Actuarial gains and losses are recognized in Profit & Loss Account as and when determined. The company makes annual contribution to LIC for the Gratuity plan in respect of employees.

**M. Taxation**

Current Tax is determined as the amount of tax payable in respect of taxable income for the year after considering various reliefs admissible under provisions of the Income Tax Act, 1961. The deferred tax for timing difference between the book and tax profit for the year is accounted for using tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax asset arising from timing difference are recognised to the extent that there is virtual certainty that sufficient future taxable income will be available.

**N. Contingent Liability**

The Company creates a provision when there is present obligation as a result of a past event that probably requires

**Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009**

an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

**II - NOTES FORMING PART OF THE ACCOUNTS**

1. Surplus / (Deficit) on account of exchange difference on outstanding forward exchange contracts to be recognised in profit and loss account of subsequent accounting period aggregate to Rs (687.21) lacs. (For F.Y. 2007-08, it was Rs. 12.10 lacs).

**2. Derivative Instruments:**

a) Derivative contracts entered into by the Company and outstanding as on March 31, 2009.

i) For Hedging currency related risk:

Normal amount of forward purchase contracts (net) entered into by the company and outstanding as on March 31, 2009 amount to Rs. 1,654.81 crores (for F.Y.2007-08 forward sales contract (net) was Rs. 4 crores)

ii) For Hedging commodity related risk:

Forward contracts for Gold by the company and outstanding as on March 31, 2009 covers 120 Kgs. (For F.Y.2007-08 it was 140 Kgs.).

b) Foreign currency exposure that are not hedged by the derivative instruments as on March 31, 2009, amount to Rs. Nil . (for F.Y.2007-08 it was Rs. 206.85 crores).

3. There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2009. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

**4. Related Party Disclosure for the year ended March 31, 2009.**

<p><b>(A) Particulars of Enterprises controlled by the Company</b></p> <p><b>Name of Related Party</b> Asian Star Co. Ltd. (U.S.A.) Inter Gems DMCC. Asian Star Jewels Pvt. Ltd. Jewel Art</p>	<p><b>Relationship</b> Subsidiary Subsidiary Subsidiary Associate Concern</p>
<p><b>(B) Particulars of Key Management Personnel</b></p> <p><b>Name of Related Party</b> Dinesh T. Shah Vipul P. Shah Dharmesh D. Shah Arvind T. Shah Priyanshu A. Shah</p>	<p><b>Relationship</b> Chairman CEO &amp; Managing Director CFO &amp; Jt. Managing Director Executive Director Executive Director</p>
<p><b>(C) Particulars of Enterprises under common control of The Key Management Personnel</b> Shah Enterprises Shah Manufacturers Rahil Agencies A'Star Exports Asian Star Diamonds International Pvt. Ltd.</p>	
<p><b>(D) Particulars of Relatives of Key Management Personnel where there are transactions.</b> Nirmala D. Shah Sweta D. Shah Sujata V. Shah Vimla P. Shah</p>	



## Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

(Rs.in Lacs)

<b>(E) Particulars of Transactions with Parties Referred to in (A) Above</b>	
Sale of Polished Diamonds	10,874.08
Purchase of Diamonds	205.06
Dividend Received	NIL
Amount Outstanding shown under Sundry Debtors	4,646.13
Amount Outstanding shown under Sundry Creditors	39.00
Capital Introduced in Partnership Firm	(1,452.00)
Profit Earned in Partnership Firm	(71.11)
Outstanding Capital in Partnership Firm shown under Investments	959.42
Sale of Mountings etc.	7.92
Jewellery Making Charges	34.65
Investment in Subsidiary	1.00
Subsidiary Formation Expenses	1.84
Amount Outstanding shown under Other Advances	1.84
<b>(F) Particulars of Transactions with Parties Referred to in (B) Above</b>	
Directors' Remuneration	87.00
Rent Paid	3.60
Amount Outstanding shown under Deposits for Office Premises	110.00
Loan Taken -(net)	1,075.00
Amount Outstanding shown under Unsecured loans from Directors	1,950.00
<b>(G) Particulars of Transactions with Parties Referred to in (C) Above</b>	
Rent Payment	3.60
Lease Deposit Outstanding shown under Deposits	10.00
Contract for Processing of Diamonds to Shah Manufacturers	2,896.45
Amount Outstanding shown under Creditors for Processing	318.24
<b>(H) Particulars of Transactions with Parties Referred to in (D) Above</b>	
Sale of Jewellery	55.09
Purchase of Jewellery	3.78

Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

5. During the year, Company has recognized the following amounts in the financial statements.

**A) Defined Contribution Plan**

Contribution to Defined Contribution Plan, recognized as expenses for the year are as under:

(Rs.in Lacs)

Particulars	
Employer's Contribution to Provident Fund & Family Pension Fund	58.75
Employer's Contribution to Employees State Insurance Scheme	13.58
Employer's Contribution to Maharashtra Labour Welfare Fund	0.45

**B) Defined Benefit Plan:**

Defined benefit plan as per actuarial valuation as on March 31, 2009 and recognized in the financial statement in respect of Employee Benefits Scheme:

(Rs.in Lacs)

Disclosure under AS 15 (Revised) Employees Benefit Scheme:	Gratuity (Funded)
<b>I) Change in defined benefits obligation as at March 31, 2009.</b>	
a) Present value of the obligation as beginning of the year	151.32
b) Current Service Cost	19.66
c) Interest Cost	13.16
d) Benefit Paid	(12.94)
e) Actuarial Loss on obligation	22.06
f) Present value of obligation as at end of the year	193.26
<b>II) Change in fair value of plan assets</b>	
a) Present value of the plan assets at the beginning of the year	107.12
b) Expected actual return on plan assets	11.44
c) Contribution	42.35
d) Benefit Paid	(12.94)
e) Actuarial loss on plan assets	(0.58)
f) Present value of plan assets at the end of the year	147.39
<b>III) Component of Employee Cost recognized in Profit &amp; Loss A/c.</b>	
a) Interest Cost	13.16
b) Current Service Cost	19.66
c) Expected return on plan Assets	(11.44)
d) Actuarial loss	22.64
e) Expenses recognized in Profit & Loss A/c	44.02
<b>IV) Reconciliation of present value of obligation and fair value of plan assets.</b>	
a) Present value of obligation at the end of the year	193.26
b) Fair Value of Plan Assets at the end of the year	147.39
c) Difference	(45.87)
d) Amount recognized in the Balance Sheet	(45.87)
<b>V) Actuarial Assumptions</b>	(%)
a) Discount Rate	7.75 %
b) Expected rate of return on assets	8.00 %
c) Future salary escalation	5.00 %
d) Attrition rate	2.00 %

## Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

**6. Details of investment:****Particulars of Investment in Partnership Firm:**

Name of the Firm : Jewel Art

Total Capital of the Firm : Rs 5,507.89 lacs

(Rs. in lacs)

Name of the Partner	Share of Profit	Balance as March 31, 2009
1. Dharmesh D. Shah	1.50 %	1,068.40
2. Vipul P. Shah	1.50 %	1,607.77
3. Asian Star Co. Ltd.	91.00 %	959.42
4. Priyanshu A. Shah	1.50 %	1,180.06
5. Nirmala D. Shah.	1.50 %	69.91
6. Rasila A. Shah	1.50 %	602.41
7. Sujata V. Shah	1.50 %	19.92

Particulars of investments purchased and sold during the year: Nil

**7. Deferred Tax Liability**

Break-up of Deferred Tax Liability as on March 31, 2009 is as given below:

(Rs. in lacs)

Particulars		
Deferred Tax Liability as on 01.04.2008	1,018.66	
<b>Add:</b> Provision for Deferred Tax made during the year arising on account of timing difference in Depreciation	1367.94	
Deferred Tax Liability as on 31.03.2009		2,386.60
<b>Less:</b> Deferred Tax Asset as on 01.04.2008	34.59	
Provision for Diminution in Market value of Current investments	20.98	
Gratuity Liability - Current year	0.57	
Deferred Tax Assets as on 31.03.2009		56.14
<b>Deferred Tax Liability (Net) as on 31.03.2009</b>		<b>2,330.46</b>

Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

8. Segment wise reporting Revenue, Result and Capital Employed

(Rs. in lacs)

Particulars	2008-2009	2007-2008
<b>1. Segment - Revenue</b>		
Diamond	1,21,573.58	1,27,714.47
Jewellery	6,323.12	7,065.92
Others	539.42	390.47
<b>Total</b>	<b>1,28,436.12</b>	<b>1,35,170.86</b>
Less: Inter Segment Revenue / Transfer	2,973.49	3,029.48
<b>Net Sales / Revenue</b>	<b>1,25,462.63</b>	<b>1,32,141.38</b>
<b>2. Segment Results</b>		
Profit/(Loss) before Tax and Interest from each segment		
Diamond	6,124.00	6,711.00
Jewellery	31.27	1,340.52
Others	(271.83)	321.25
<b>Total</b>	<b>5,883.44</b>	<b>8,372.77</b>
Less:		
i) Interest	2,631.38	2,897.94
ii) Other un - allocable expenses	-	-
<b>Total Profit before Tax</b>	<b>3,252.06</b>	<b>5,474.83</b>
<b>3. Capital Employed</b>		
Diamond	31,805.66	28,108.01
Jewellery	1,823.61	3,251.02
Other	1,223.20	1,601.11
Unallocated net assets	-	-
<b>Total Capital Employed</b>	<b>34,852.47</b>	<b>32,960.14</b>

The Company now recognizes two reportable business segments viz. cut and polished diamonds and jewellery. The business which is not reportable during the year, has been grouped under 'Others' segment, this comprises wind energy generation.

Secondary Segment

Details as per Geographic Region

(Rs. in lacs)

Region	Region wise Sales & Services	Direct Segment Assets (Debtors)
<b>1. Exports</b>		
ASIA	58,327.28	23,600.67
USA	13,076.78	6,463.55
EUROPE	17,700.24	3,674.23
<b>2. Local</b>	36,396.62	5,164.83
<b>Total</b>	<b>1,25,500.92</b>	<b>38,903.28</b>

Segment Reporting and Related Information requires that an enterprise report a measure of total assets for each reportable segment. The fixed assets and inventories used in the company's business are not identifiable to any particular reportable segment and can be used interchangeably among geographical segments. Consequently, management believes that it is not practical to provide segment disclosures relating to total assets since a realistic analysis among the various geographic segments is not possible. Therefore, information has been restricted to direct debtors of each geographical segment.

## Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## 9. Earning Per Share:

(Rs. in lacs)

Particulars	2008-2009	2007-2008
Profit After Tax	1,900.26	4,033.88
Prior Year Adjustments	(7.94)	2.23
Dividend on Preference Share & Tax thereon	88.45	88.45
Number of Equity Shares	10,671,200	10,671,200
Nominal Value Per Equity Share (Rs.)	10	10
Earning Per Share (Basic) (Rs.)	16.90	36.99

## 10. Licensed and installed capacity: - N.A.

## A. Information in respect of goods manufactured:

Polished Diamonds	Units	2008-2009	2007-2008
Licensed Capacity	Carats	N.A.	N.A.
Installed Capacity	Carats	N.A.	N.A.
*Production	Carats	5,34,259.86	7,19,166.93
(*Including manufactured by others on job work basis)			

Studded Jewellery	Units	2008-2009	2007-2008
Licensed Capacity	Pcs.	2,40,000	2,40,000
Installed Capacity	Pcs.	60,000	60,000
*Production	Pcs.	48,262	53,210
(*Including 7979 (P.Y. 15,597) Pcs manufactured for others on job work basis)			

Windmill	Units	2008-2009	2007-2008
Installed Capacity	KW	11,500	4,300

## B. Particulars of Purchase, Sales, Manufacture and Stock of finished goods.

Polished Diamonds	2008-2009		2007-2008	
	Quantity in carats	Rs. in Lacs	Quantity in carats	Rs. in Lacs
Opening Stock	73,352.89	8,827.32	79,940.00	6,810.18
Purchase	25,314.53	4,381.70	8,745.05	1,622.37
Manufactured	5,34,259.86	1,14,836.79	7,19,166.93	1,18,737.83
Sales	5,33,815.53	1,10,498.72	7,15,146.21	1,21,250.47
Transfer to Jewellery Division	16,515.37	2,973.49	19,200.57	3,029.48
Weight Loss	119.37	-	152.31	-
Closing Stock	82,477.01	14,995.40	73,352.89	8,827.32

Studded Jewellery	2008-2009		2007-2008	
	Quantity in Pcs.	Rs. in Lacs	Quantity in Pcs.	Rs. in Lacs
Opening Stock	9,163.00	1,512.03	6,169.00	1,131.27
Purchase	616.00	112.65	3,357.00	281.43
Manufactured	40198.00	6,161.36	37,613.00	5,033.70
Sales	37,899.00	6,181.02	37,976.00	5,746.16
Closing Stock	12,078.00	2,215.75	9,163.00	1,512.03

Windmill	2008-2009		2007-2008	
	Quantity in Kwh	Rs. in lacs	Quantity in Kwh	Rs. in lacs
Sales of Power	2,21,13,080	598.74	34,83,770.10	127.16

Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

C. Analysis of Material Consumed

Rough Diamonds	2008-2009		2007-2008	
	Quantity in carats	Rs. in Lacs	Quantity in carats	Rs. in Lacs
Consumption	12,61,089.33	1,08,367.40	14,77,228.21	1,12,104.63
Sales	2,23,874.08	8,101.37	1,40,942.64	3,434.51

Gold	2008-2009		2007-2008	
	Quantity in gms.	Rs. in Lacs	Quantity in gms.	Rs. in Lacs
Consumption				
Raw Gold	1,52,028	1,890.06	1,80,000	1,780.51
Gold Findings	2,117.03	24.02	1,969.92	16.64
Gold Mountings	19,770.89	242.96	558.46	5.48
Sales	Nil	Nil	Nil	Nil

Polished Diamonds (for jewellery manufacturing)	2008-2009		2007-2008	
	Quantity in carats	Rs. in Lacs	Quantity in carats	Rs. in Lacs
Consumption	18,647.05	3,261.99	18,631.51	2,930.04
Sales	Nil	Nil	Nil	Nil

(Rs. in lacs)

Sr. No	Particulars	2008-2009	2007-2008
11	<b>Value of imported and indigenous consumption (For Polished Diamonds)</b>		
	• Imported Raw material	48,666.69 44.91%	63,175.13 56.35%
	• Indigenous Raw material	59,700.71 55.09%	48,929.50 43.65%
	<b>Total</b>	<b>1,08,367.40</b>	<b>1,12,104.63</b>
12	<b>Value of imported and indigenous consumption (For Jewellery Manufacturing)</b>		
	• Imported Raw material	262.27 4.75%	23.21 0.48%
	• Indigenous Raw material	5,257.65 95.25%	4,767.28 99.52%
	<b>Total</b>	<b>5,519.92</b>	<b>4,790.49</b>
13	Interest Charged to Profit & Loss Account is net of Interest received	641.25	555.20
	Tax deducted at source	126.29	120.21
14	Expenses / (Income) in respect of previous years debited / credited during the year.	7.94	(2.23)
15	Value of Import on CIF Basis Raw Materials		
	a. Rough Diamonds	51,574.35	64,167.24
	b. Gold Mountings	242.96	Nil
	c. Alloy	12.48	31.17
16	Expenditure in Foreign Currency		
	Foreign Traveling	19.37	26.27
	Consumables	82.57	227.63
	Value Added Service fees	309.69	462.27
	Diamond Grading Charges	138.02	55.54
	Repairs & Maintenance	1.90	4.04

## Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

(Rs. in lacs)

Sr. No	Particulars	2008-2009	2007-2008
17	Earning in Foreign Exchanges		
	a. FOB value of Diamonds exported	94,159.34	94,370.12
	b. FOB value of Studded Jewellery exported	524.39	1.35
	c. Dividend Received	-	6.00
	d. Goods Inspection Charges	-	2.77
18	Breakup of remuneration paid to Managing / Wholetime Directors		
	a. Salary	87.00	37.05
	b. Contribution to Provident & other Fund	0.19	0.19
	The Company has been advised that the computation of net profit pursuant to section 349 of the Companies Act, 1956 need not be enumerated since no commission has been paid to directors.		
19	Auditors Remuneration		
	a. Audit Fees	2.75	3.37
	b. Other matters	0.78	-
	<b>TOTAL</b>	<b>3.53</b>	<b>3.37</b>
20	Estimated amount of contracts remaining to be executed on capital account not provided for (Net of advances)	-	2,538.58

21. The figures of previous year have been regrouped / reclassified wherever necessary and possible so as to confirm with the figures of the current year.

Schedules 'A' to 'L' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

22. Additional Information as required under Part IV of Schedul VI to the Companies Act, 1956.

**Balance Sheet Abstract and Company's General Business Profiles.**

1	Registration Details	Registration No.	State Code	
	Balance Sheet Date	86017 31   03   2009	11	
2	Capital raised during the year (Amount in Rs.'000)	Public Issue	Right Issue	
		Nil	Nil	
		Bonus Issue	Private Placement	
		Nil	Nil	
3	Position of Mobilization and Deployment of Funds (Amount in Rs.'000)	Total Liabilities	Total Assets	
		89,89,288	89,89,288	
		Sources of Funds	Paid up Capital	Reserves & Surplus
			3,58,712	31,26,535
			Secured Loans	Unsecured Loans
			50,75,996	1,95,000
			Deferred Tax Liability	
			2,33,045	
		Application of Funds	Net Fixed Assets	Investments
			14,67,194	1,30,615
4	Performance of Company (Amount in Rs.'000)	Net Current Assets	Miscellaneous Expenditure	
		73,91,479	Nil	
		Accumulated Losses		
		Nil		
		Turnover	Total Expenditure	
		1,25,52,436	1,22,26,436	
		Profit Before Tax	Profit After Tax	
		3,26,000	190,026	
		Earning Per Share	Dividend Rate %	
		16.90	20%	
5	Generic names of principal products, services of the Company	Item Code No.	Product Description	
		71023910	Cut & Polished Diamonds	
		71131930	Diamond Studed Jewellery	

As per our report of even date

For and on behalf of the Board

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants

**JINESH J. SHAH**  
Partner

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Date : June 26, 2009

Place : Mumbai  
Date : June 26, 2009



## CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2009

(Rs. in lacs)

	MARCH 31, 2009	MARCH 31, 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax & extraordinary items	3,260.00	5,472.60
Adjustment for		
Depreciation	661.42	316.32
Interest	2,631.38	2,897.94
Unrealised Foreign Exchange (Gain) / Loss	(1,372.73)	(542.13)
Dividend Received	(1.78)	(14.18)
(Profit) / Loss from Partnership firm	71.11	(1,320.41)
Gratuity	44.03	12.17
(Profit) / Loss on sale of fixed assets	0.32	10.73
(Profit) / Loss on sale of investments	-	(182.54)
Diminution in value of Investment written off	61.73	44.63
Operating profit before working capital changes	5,355.47	6,695.13
Adjustment for		
Receivables	2,871.36	8,644.74
Inventories	1,377.22	(3,109.19)
Loans & Advances	2,838.63	(1,068.28)
Current Liabilities	(6,782.21)	4,570.16
Cash generated from / (used in) operations	5,660.48	15,732.56
Taxation	(13.35)	(1,119.50)
Gratuity	(44.03)	(12.17)
Prior year Adjustments	(7.94)	(54.92)
Cash flow before extraordinary items	5,595.16	14,545.97
Extraordinary items	-	-
Net cash from / (used in) operating activities	5,595.16	14,545.97
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (Includes Capital Work in Progress)	(2,933.49)	(7,374.87)
Sale of fixed assets	5.86	16.22
Purchase / Increase of Investments	-	(471.43)
Dividend Received	1.78	14.18
Sale / Decrease of Investments	1,451.00	-
Net Cash from / (used in) investing activities	(1,474.85)	(7,815.90)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Secured Loans	(3,543.48)	(2,427.51)
Unsecured Loans	1,075.00	875.00
Interest	(2,631.38)	(2,897.94)
Dividend Paid	(289.02)	(289.02)
Tax on Dividend	(49.12)	(49.12)
Net cash from / (used in) financing activities	(5,438.01)	(4,788.59)
Net increase / (decrease) in cash & cash equivalents	(1,317.70)	1,941.48
Cash & cash equivalents as at 1st April (Opening)	8,821.82	6,880.34
Cash & cash equivalents as at 31st March (Closing)	7,504.12	8,821.82

As per our report of even date

For and on behalf of the Board

FOR V. A. PARIKH &amp; ASSOCIATES

Chartered Accountants

JINESH J. SHAH

Partner

DINESH T. SHAH

Chairman

VIPUL P. SHAH

CEO &amp; Managing Director

Place : Mumbai

Date : June 26, 2009

Place : Mumbai

Date : June 26, 2009

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Company's interest in the Subsidiary

A. Name of the Subsidiary Company	Asian Star Company Limited (New York)	Inter Gems DMCC (Dubai)	Asian Star Jewels Private Limited.
B. Date from which it became Subsidiary	September 27, 1996	February 20, 2008	December 16, 2008
C. Number of Shares held by Asian Star Shares Company Limited with its nominee in the subsidiary as at 31/3/2009	5 Equity Shares of US \$100,000 fully paid	200 Equity Shares of AED 1,000 fully paid	10,000 Equity Shares of Rs. 10 fully paid
D. Extent of interest of Holding Company in the Subsidiary as at 31/03/2009	100%	100%	100%
E. Net aggregate amount of profits/(losses) of the Subsidiary Company as far as it concerns the members of the company			
a. Dealt with in the company's account			
i. for the financial year of the subsidiary	Nil	Nil	Nil
ii. for the previous year of the subsidiary since it became the subsidiary of the company	US \$ 100,000 (Rs. 50.95 lacs)	Nil	Nil
b. Not dealt with in the company's account			
i. for the financial year of the subsidiary	US \$ (74,034) (Rs. -37.72 lacs)	US \$250,154 (Rs. 127.45 lacs)	Nil
ii. for the previous years of the subsidiary since it became the subsidiary of the company	US \$ 81,217 (Rs. 41.38 lacs)	US \$ 668,483 (Rs. 340.59 lacs)	Nil

Notes:

1. Converted at the rate of exchange US\$ 1= Rs. 50.95 prevailing on 31/03/2009.
2. Asian Star Jewels Private Limited has not commenced its operations during the year.

For and on behalf of the Board

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Date : June 26, 2009

**ASIAN STAR COMPANY LIMITED, NEW YORK**  
(A Subsidiary Company)

The Board of Directors  
ASIAN STAR COMPANY LTD.  
551 Fifth Avenue, Suite # 3502  
New York, NY 10176-0001

**Gentlemen,**

We have examined the Balance Sheet of Asian Star Company Ltd., New York, as of March 31, 2009 and Related Statement of Income, Retained Earnings, Supporting Schedules and Cash Flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements indicated above present fairly the financial position of Asian Star Company Ltd., New York, as at March 31, 2009, and the results of operations for the year then ended, in conformity with generally accepted accounting principles.

For Ervin Friedman, CPA  
New York  
May 15, 2009

**ASIAN STAR COMPANY LIMITED, NEW YORK**  
**BALANCE SHEET AS AT MARCH 31, 2009**

(Amount in US\$)

		<b>MARCH 31, 2009</b>	<b>MARCH 31, 2008</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash Assets	137,917	1,667,652	
Accounts Receivable	7,075,822	6,303,267	
Inventory	1,304,520	1,276,160	
Prepaid Taxes	-	10,800	
Loan Receivable	-	104,476	
		<b>8,518,259</b>	<b>9,362,355</b>
<b>Property and Equipments</b>			
Furniture & Fixtures	82,413	82,413	
Less : Accumulated Depreciation	76,776	73,376	
		<b>5,637</b>	<b>9,037</b>
<b>Other Assets</b>			
Security Deposits		21,610	19,065
<b>Total Assets</b>		<b>8,545,506</b>	<b>9,390,457</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	7,957,847	8,781,026	
Accrued Expenses & Taxes Payable	10,423	5,501	
Advances Payable	70,053	7,713	
Cash Dividend Payable	-	15,000	
		<b>8,038,323</b>	<b>8,809,240</b>
<b>Shareholders' Equity</b>			
Capital Stock	500,000	500,000	
Retained Earnings	7,183	81,217	
<b>Total Shareholders' Equity</b>		<b>507,183</b>	<b>581,217</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>		<b>8,545,506</b>	<b>9,390,457</b>

## STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 2009

(Amount in US\$)

	MARCH 31, 2009	MARCH 31, 2008
Sales - Operating Revenue - Schedule A	22,099,091	22,983,735
Cost of Sales - Schedule B	21,642,174	22,501,281
Gross Operating Profit	456,917	482,454
General & Administrative Expenses - Schedule C	590,363	674,087
Operating Profit	(133,446)	(191,633)
Other Income - Schedule D	55,485	25,432
Income Before Taxes Based on Income	(77,961)	(166,201)
Federal Corporate Income Tax	-	-
New York State Corporate Tax	994	5,225
New York City Corporate Tax	(4,921)	5,548
Total Corporate Tax	(3,927)	10,773
Net Income	(74,034)	(176,974)

## STATEMENT OF RETAINED EARNING FOR THE YEAR ENDED MARCH 31, 2009

(Amount in US\$)

	MARCH 31, 2009	MARCH 31, 2008
Opening Balance	81,217	273,191
Add : Net Income for the year	(74,034)	(176,974)
Total	7,183	96,217
Less : Cash Dividend payable	-	15,000
Balance carried forward to Balance Sheet	7,183	81,217

SUPPORTING SCHEDULES FOR THE YEAR ENDED MARCH 31, 2009

SCHEDULE A - OPERATING REVENUES

(Amount in US\$)

	MARCH 31, 2009	MARCH 31, 2008
Sales	22,099,091	22,983,735
<b>Total Operating Revenues</b>	<b>22,099,091</b>	<b>22,983,735</b>

SCHEDULE B - COST OF SALES

(Amount in US\$)

	MARCH 31, 2009	MARCH 31, 2008
Inventory at the beginning	1,276,160	1,290,960
Purchases	21,612,727	22,409,209
Freight, Duty & Customs	57,807	77,272
Cost of Goods available for sale	22,946,694	23,777,441
Less : Inventory at the end	1,304,520	1,276,160
<b>Total Cost of Sales</b>	<b>21,642,174</b>	<b>22,501,281</b>

SCHEDULE C - GENERAL & ADMINISTRATIVE EXPENSES

(Amount in US\$)

	MARCH 31, 2009	MARCH 31, 2008
Salaries - Officers	91,000	88,333
Salaries - Others	98,715	45,413
Advertising	6,486	10,817
Alarm	2,647	2,558
Bad Debts	54,131	183,979
Depreciation	3,400	3,400
Contributions	-	3,311
Dues & Subscriptions	2,041	2,093
Insurance	93,612	91,474
Interest, Discount & Bank Charges	73,994	76,270
Professional Fees	11,317	10,733
Rent	104,037	100,695
Stationery & Printing	9,166	20,286
Travel	14,135	11,138
Payroll Taxes	16,334	9,589
Telephone	9,348	13,998
<b>Total General &amp; Administrative Expenses</b>	<b>590,363</b>	<b>674,087</b>

SCHEDULE D - OTHER INCOME

(Amount in US\$)

	MARCH 31, 2009	MARCH 31, 2008
Interest Income	1,043	12,667
Discount Received	12,426	12,765
Management Fee	38,475	-
Commission Income	3,541	-
<b>Total Other Income</b>	<b>55,485</b>	<b>25,432</b>

**Notes to the Financial Statements for the year ended March 31, 2009****1. Significant Accounting Policies****Revenue Recognition**

Sales of Goods are recorded based on Shipment of Goods.

**Inventories**

Inventories are priced at the lower of Cost or Market

**Property and Depreciation**

The Cost of Property, Furniture, Fixtures and Improvements are recorded at cost and generally the straight line method of computing depreciation has been applied for both income tax and financial reporting purposes.

2. Purchases include merchandise received from **ASIAN STAR COMPANY LIMITED**, Mumbai, India in the amount of US\$ 17,235,897
3. Accounts payable includes the amount of US\$ 6,712,827 owed to **ASIAN STAR COMPANY LIMITED**, Mumbai, India for merchandise received.
4. Sales include merchandise sold to **ASIAN STAR COMPANY LIMITED**, Mumbai, India in the amount of US\$ 80,040.
5. Account receivable includes the amount of US\$ 80,040, due from **ASIAN STAR COMPANY LIMITED**, Mumbai, India.

CASH FLOWS FROM OPERATING ACTIVITIES

(Amount in US\$)

	MARCH 31, 2009	MARCH 31, 2008
<b>Net Income (Deficit) as per Income Statement</b>	<b>(74,034)</b>	<b>(176,974)</b>
<b>Add:</b>		
Depreciation	3,400	3,400
Increase in Advances Payable	70,053	7,713
Decrease in Loans Receivable	104,476	-
Increase in Accrued Expenses	4,922	-
Decrease in Inventory	-	14,800
Decrease in Accounts Receivable	-	1,650,606
Decrease in Prepaid Taxes	10,800	-
	<b>193,651</b>	<b>1,676,519</b>
<b>Total</b>	<b>119,617</b>	<b>1,499,545</b>
<b>Less:</b>		
Increase in Accounts Receivable	772,555	-
Increase in Inventory	28,360	-
Increase in Security Deposits	2,545	221
Decrease in Advances Payable	7,713	44,767
Decrease in Accounts Payable	823,179	1,165,588
Increase in Prepaid Taxes	-	10,800
Decrease in loans Payable - Bank	-	1,304
	<b>1,634,352</b>	<b>1,222,680</b>
Cash Flows from Operating Activities	<b>(1,514,735)</b>	<b>276,865</b>
<b>Less:</b>		
Cash Dividend	15,000	15,000
Increase in Cash	<b>(1,529,735)</b>	<b>261,865</b>
Cash at beginning of the year	1,667,652	1,405,787
Cash at the end of the year	<b>137,917</b>	<b>1,667,652</b>



**INTER GEMS DMCC, DUBAI**

(A Subsidiary Company)

**Auditors' Report to the Shareholder of INTER GEMS DMCC**

We have audited the accompanying financial statements of INTER GEMS DMCC for the year ended March 31, 2009.

These Financial Statements are the responsibility of the company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

Our audit included such test of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

In our opinion, the financial statements fairly present the financial position of INTER GEMS DMCC as of March 31, 2009 and of the results of its operations and its cash flows for the year then ended in conformity with accounting principles applied.

For KSI SHAH & ASSOCIATES  
Chartered Accountants  
Dubai  
June 03, 2009

**INTERGEMS DMCC****BALANCE SHEET AS AT MARCH 31, 2009**

(Amount in US\$)

	NOTES	MARCH 31, 2009	MARCH 31, 2008
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Fixed Assets	3	1,161,391	1,222,786
		<u>1,161,391</u>	<u>1,222,786</u>
<b>Current Assets</b>			
Inventories		163,652	134,678
Trade receivables	4	14,547,656	3,366,923
Cash and cash Equivalents	5	10,203	177
		<u>14,721,511</u>	<u>3,501,778</u>
<b>Total Assets</b>		<b><u>15,882,902</u></b>	<b><u>4,724,564</u></b>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share Capital	6	54,496	54,496
Accumulated profits		894,735	644,581
Equity Fund		949,231	699,077
Director's current account		98,746	-
<b>Total shareholder's funds</b>		<u>1,047,977</u>	<u>699,077</u>
<b>Current Liabilities</b>			
Trade and other payables	7	14,834,925	4,025,487
<b>Total Equity &amp; Liabilities</b>		<b><u>15,882,902</u></b>	<b><u>4,724,564</u></b>

The accompanying notes form an integral part of these financial statements.  
Approved by the Directors on June 03, 2009.

For Inter Gems DMCC  
Manager

## INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

(Amount in US\$)

	NOTES	MARCH 31, 2009	MARCH 31, 2008
<b>Sales</b>		16,507,016	18,811,126
Cost of sales		(16,109,472)	(18,084,362)
Gross profit		397,544	726,764
<b>Expenses</b>	8	(147,390)	(58,281)
Net profit for the year		250,154	668,483
The accompanying notes form an integral part of these financial statements.			

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2009

(Amount in US\$)

	Share Capital	Accumulated Profit /(Losses)	Total
As at March 31, 2007	54,496	(23,902)	30,594
Net profit for the year	-	668,483	668,483
As at March 31, 2008	54,496	644,581	699,077
Net profit for the year	-	250,154	250,154
As at March 31, 2009	54,496	894,735	949,231
The accompanying notes form an integral part of these financial statements.			

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

(Amount in US\$)

	NOTES	MARCH 31, 2009	MARCH 31, 2008
<b>A. Cash flow from operating activities</b>			
Net Profit/(Loss) for the year		250,154	668,483
<b>Adjustment for :</b>			
Depreciation		61,395	5,116
<b>Operating profit / (loss) before working capital changes</b>		<b>311,549</b>	<b>673,599</b>
(Increase)/decrease in inventories		(28,974)	(134,678)
(Increase)/decrease in trade receivables		(11,180,734)	(3,366,922)
(Increase)/decrease in trade and other payables		10,809,439	3,459,608
Net cash from / (used in) operating activities		(88,720)	631,607
<b>B. Cash Flow from investing activities</b>			
Purchase of property		-	(540,289)
<b>C. Cash flow from financing activities</b>			
Funds introduced / (withdrawn) by the old Shareholder (net)		-	(95,614)
Funds introduced / (withdrawn) by the director		98,746	-
Net cash from / (used in) financing activities		98,746	(95,614)
Net increase / (decrease) in cash and cash equivalents		10,026	(4,296)
Cash and cash equivalents at the beginning of the year		177	4,473
<b>Cash and cash equivalents at the end of the year</b>		<b>10,203</b>	<b>177</b>
The accompanying notes form an integral part of these financial statements.	5		

## Notes to the Financial Statements for the year ended March 31, 2009

### 1. Legal status and business activity

- a) INTER GEMS DMCC is limited liability Company incorporated in the Dubai Multi Commodities Centre. The Company is operating under the license No.30030.
- b) The Company is registered to carry out the business of trading in rough and polished diamond and diamond jewellery

### 2. Significant accounting policies

The financial statements are prepared under the historical cost convention and the significant accounting policies adopted are as follows:

#### a) Depreciation of property, plant & equipment:

The cost of property, plant and equipment is depreciated by equal annual installments over their estimated useful lives as under:

Property	20 years
----------	----------

#### b) Inventory:

Inventory of polished diamonds are valued at technically evaluated cost or net realisable values whichever is lower as customary in the diamond industry.

#### c) Trade receivables:

Provision is made for doubtful debts. Bad debts are written off as they arise.

#### d) Trade and other payables:

Liabilities are recognized for amounts to be paid for goods or services received, whether invoiced by the supplier or not.

#### e) Sales:

Sales represent net amount invoiced for goods delivered during the year. Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

#### f) Foreign currency transactions:

Transactions in foreign currencies are converted into US dollar at the approximate rate of exchange ruling on the date of the transaction.

Assets and liabilities expressed in foreign currencies are translated into US dollars at the rate of exchange ruling at the balance sheet date.

Resulting gain or loss is taken to the income statement.

#### g) Cash and cash equivalents:

Cash and cash equivalents for the purpose of the cash flow statement comprise of cash on hand, bank current accounts, deposits free of encumbrance with a maturity date of three months or less from the date of deposits and highly liquid investment with a maturity date of three months or less from the date of investment.

#### h) Impairment:

The carrying amount of the assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the assets or its cash-generating unit exceeds its recoverable amount. Impairment losses, if any, recognized in the income statement.

**3. Property, plant and Equipment**

(Amount in US\$)

<b>Cost</b>	
As at 01.04.2008	1,227,902
As at 31.03.2009	1,227,902
<b>Depreciation</b>	
As at 01.04.2008	5,116
Charge for the year	61,395
As at 31.03.2009	66,511
<b>Net book value</b>	
As at 31.03.2009	1,161,391
As at 01.04.2008	1,222,786
In the opinion of management, there was no impairment in respect of the investment. Hence carrying value of the property at March 31, 2009 approximates its net book value.	

(Amount in US\$)

	2008-2009	2007-2008
<b>4. Trade receivables</b>		
Trade receivables	*14,547,656	3,366,923
<i>*Subsequently received nil</i>		
<b>5. Cash and cash equivalents</b>		
Cash balance	163	163
Bank balances in Current Accounts	10,040	14
	10,203	177
<b>6. Share capital</b>		
Subscribed, Issued and Paid up 200 ordinary shares of AED 1,000 each (converted @ 3.67)	54,496	54,496
<b>7. Trade and other payables</b>		
Trade payables	13,613,464	2,801,302
Accruals	1,636	4,360
Loan*	1,219,825	1,219,825
	14,834,925	4,025,487
<i>*This represents interest free loan payable on demand to a business associate.</i>		
<b>8. Expenses</b>		
Managerial remuneration	40,000	20,000
Rent	1,362	11,029
Other administrative expenses	44,633	22,136
Depreciation	61,395	5,116
	147,390	58,281

**9. Comparative figures**

Previous year figures have been regrouped / reclassified wherever necessary to confirm to the presentation adopted in the current year.

**ASIAN STAR JEWELS PRIVATE LIMITED**

(A Subsidiary Company)

**AUDITORS' REPORT**

To,

**The Members of Asian Star Jewels Private Limited**

1. We have audited the attached Balance Sheet of Asian Star Jewels Private Limited as at March 31, 2009. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit. No Profit and Loss Account has been prepared since the Company is yet to commence its revenue operations.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall Financial Statements. We believe that our audit provides a reasonable basis for our opinion.
3. The Company fulfills all the conditions mentioned in sub-clause (iv) of clause (2) of Para 1 of the Companies (Auditor's Report) Order, 2003, the provisions of the said order are not applicable to the Company.
4. We report that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c) The Balance Sheet dealt with by this report are in agreement with the books of Account.
  - d) In our opinion, the Balance Sheet dealt with by this report comply with the Accounting Standards referred to in the sub-section (3C) of Section 211 of the Companies Act, 1956.
  - e) On the basis of written representations received from the Directors, as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on March 31, 2009 from being appointed as a Director in terms of clause (g) of subsection (1) of section 274 of Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) In the case of the Balance Sheet, of the state of the affairs of the Company as at March 31, 2009.

**For V. A. Parikh & Associates**  
Chartered Accountants

**Jinesh J. Shah**  
Partner  
Membership No. 111155

Place : Mumbai  
Date : June 10, 2009

**ASIAN STAR JEWELS PRIVATE LIMITED**  
**BALANCE SHEET AS AT MARCH 31, 2009**

(Rs. in lacs)

	SCHEDULE	MARCH 31, 2009
<b>SOURCES OF FUNDS</b>		
<b>Shareholders Funds</b>		
Share Capital	A	1.00
Loan Funds		-
		<u>1.00</u>
<b>APPLICATION OF FUNDS</b>		
<b>Current Assets, Loans &amp; Advances</b>		
Cash & Bank Balances	B	0.58
Loans & Advances		0.25
		<u>0.83</u>
<b>Less: Current Liabilities and Provisions</b>		
Liabilities	C	2.20
Provisions		-
		<u>2.20</u>
<b>Net Current Assets</b>		(1.37)
<b>Miscellaneous Expenditure</b>		
Preliminary Expenses	D	1.84
Pre-Operative Expenditure		0.53
		<u>2.37</u>
		<u>1.00</u>
Significant Accounting Policies and Notes Forming Part of Accounts	E	

As per our report of even date

For and on behalf of the Board

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants

**JINESH J. SHAH**  
Partner

**DINESH T. SHAH**  
Chairman

**ARVIND T. SHAH**  
Director

Place : Mumbai  
Date : June 10, 2009

Place : Mumbai  
Date : June 10, 2009



## SCHEDULES 'A' to 'E' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## SCHEDULE A - SHARE CAPITAL

(Rs. in lacs)

	MARCH 31, 2009
<b>Authorised</b>	
10,00,000 Equity Shares of Rs. 10 Each	100.00
<b>Issued, Subscribed and Paid Up</b>	
10,000 Equity Shares of Rs.10 Each	1.00
	<b>1.00</b>

## SCHEDULE B - CURRENT ASSETS, LOANS AND ADVANCES

(Rs. in lacs)

	MARCH 31, 2009
<b>Cash and Bank Balances</b>	
Balance with Banks	0.58
Cash on Hand	-
	(A) <b>0.58</b>
<b>Loans and Advances</b>	
MVAT Deposit	0.25
	(B) <b>0.25</b>
	(A+B) <b>0.83</b>

## SCHEDULE C - CURRENT LIABILITIES

(Rs. in lacs)

	MARCH 31, 2009
<b>Sundry Creditors for Expenses</b>	2.20
	(A) <b>2.20</b>
<b>Provisions</b>	-
	(B) <b>-</b>
	(A+B) <b>2.20</b>

## SCHEDULE D - MISCELLANEOUS EXPENDITURE

(Rs. in lacs)

	MARCH 31, 2009
<b>Preliminary Expenses</b>	
Registration & Filing Fees	1.84
	(A) <b>1.84</b>
<b>Pre-Operative Expenditure</b>	
Audit Fees	0.06
Legal & Professional Fees	0.41
Office Expenses	0.06
Bank Charges	0.00
	(B) <b>0.53</b>
	(A+B) <b>2.37</b>

**SCHEDULES 'A' to 'E' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009**

**SCHEDULE E**

Notes annexed to and forming part of the Balance Sheet as at March 31, 2009.

**I - SIGNIFICANT ACCOUNTING POLICIES:**

**a. Basis for Preparation of Financial Statements**

The financial statements have been prepared using mercantile system of accounting under the historical cost convention and recognise significant items of income expenditure on accrual basis.

**b. Preliminary Expenses**

Preliminary expenses shall be amortized over a period of five years from the year in which the Company starts its operations.

**c. Pre-operative Expenditure**

Expenses incurred during the pre-operative period are accumulated under pre-operative expenditure and shall be written off in the year in which the Company starts its operations.

**d. Contingent Liability**

Contingent liabilities are usually not provided for unless it is probable that future outcomes may be materially detrimental to the Company.

**II - NOTES FORMING PART OF ACCOUNTS**

1. The Company was incorporated on December 16, 2008. The financial statements are prepared from December 16, 2008 to March 31, 2009. The Company has not commenced its operations during the year. Since this is the first year of formation of the Company, previous years figures are not given.
2. There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2009. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.
3. Auditors Remuneration --- Audit Fees Rs. 5,515/-

## SCHEDULES 'A' to 'E' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## 4. Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.

## Balance Sheet Abstract and Company's General Business Profile:

<b>1. Registration Details</b>	
Registration No.	U36911MH2008PTC188936
State Code	11
Balance Sheet Date	31.03.2009
<b>2. Capital raised during the Year</b> (Amount in Rs. '000)	
Public Issue	-
Right Issue	-
Bonus Issue	-
Private Placement	100
<b>3. Position of mobilisation and deployment of funds</b> (Amount in Rs. '000)	
Total Liabilities	100
Total Assets	100
Sources of Funds	
Paid Up Capital	100
Loans/Funds	-
Application of Funds	
Net Current Assets	(137)
Miscellaneous Expenditure	237
<b>4. Performance of Company</b>	
Total Income	Nil
Total Expenditure	Nil
Profit before Tax	Nil
Profit after Tax	Nil
Earning per share (Rs.)	Nil
Dividend rate %	-
<b>5. Generic Names of principal products / Services of the Company.</b>	
Item Code No.	71131930
Product Description.	Diamond Studded Jewellery

As per our report of even date

For and on behalf of the Board

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants

**JINESH J. SHAH**  
Partner

**DINESH T. SHAH**  
Chairman

**ARVIND T. SHAH**  
Director

Place : Mumbai  
Date : June 10, 2009

Place : Mumbai  
Date : June 10, 2009

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO

**THE BOARD OF DIRECTORS  
ASIAN STAR COMPANY LIMITED**

We have examined the attached consolidated Balance Sheet of ASIAN STAR COMPANY LIMITED, ("The Company") and its subsidiaries as at March 31, 2009, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year ended on that date. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the Financial Statements of subsidiaries. These Financial Statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the reports of the other auditors.

We report that the consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited Financial Statements of the company and its subsidiaries included in the consolidated Financial Statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited Financial Statements of the Company and its subsidiaries, we are of the opinion that the said consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India,

- i) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at March 31, 2009,
- ii) In the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date and
- iii) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

**For V. A. Parikh & Associates**  
Chartered Accountants

Place : Mumbai  
Date : June 26, 2009

**Jinesh J. Shah**  
Partner  
Membership No. 111155

**ASIAN STAR COMPANY LIMITED**  
**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009**

(Rs. in lacs)

	SCHEDULE	MARCH 31, 2009		MARCH 31, 2008
<b>SOURCES OF FUNDS</b>				
<b>Shareholders Funds</b>				
Share Capital	A	3,587.12	3,587.12	
Reserves and Surplus	B	35,326.64	30,320.48	33,907.60
<b>Minority Interest</b>		495.71		581.22
<b>Loan Funds</b>				
Secured Loans	C	53,441.29	55,965.99	
Unsecured Loans		2,621.81	1,362.56	57,328.55
<b>Deferred Tax Liability</b>		2,330.46		984.07
		<b>97,803.03</b>		<b>92,801.44</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	D	17,794.48	12,978.98	
Less : Depreciation		2,367.09	1,618.05	11,360.93
<b>Capital Work in Progress</b>		128.52		2,016.69
<b>Investments</b>	E	154.97		216.69
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	F	30,571.14	31,882.77	
Sundry Debtors		50,943.40	45,683.48	
Cash & Bank Balances		8,988.96	10,069.33	
Loans & Advances		5,122.04	8,033.81	
		95,625.54	95,669.39	
<b>Less: Current Liabilities and Provisions</b>				
Current Liabilities	G	10,558.35	10,736.83	
Provisions		2,977.41	5,725.43	
		13,535.76	16,462.26	
<b>Net Current Assets</b>		82,089.78		79,207.13
<b>Miscellaneous Expenditure</b>		2.37		-
		<b>97,803.03</b>		<b>92,801.44</b>
Significant Accounting Policies and Notes forming part of Accounts	L			

As per our report of even date

For and on behalf of the Board

**FOR V. A. PARIKH & ASSOCIATES**  
Chartered Accountants

**JINESH J. SHAH**  
Partner

**DINESH T. SHAH**  
Chairman

**VIPUL P. SHAH**  
CEO & Managing Director

Place : Mumbai  
Date : June 26, 2009

Place : Mumbai  
Date : June 26, 2009

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON MARCH 31, 2009**

(Rs. in lacs)

	SCHEDULE	MARCH 31, 2009		MARCH 31, 2008
<b>INCOME</b>				
Sales & Services	H	146,557.11	148,617.07	
Other Income	I	114.06	381.12	148,998.19
<b>EXPENDITURE</b>				
Material Cost	J	111,794.50	117,547.72	
Manufacturing and Other Expenses	K	11,266.94	10,459.88	
Purchase of Polished Diamonds/Jewellery		14,046.84	11,641.86	
Interest		2,803.44	3,008.05	
Depreciation		757.15	661.47	
		<b>140,668.87</b>		<b>143,318.98</b>
<b>PROFIT</b>				
Profit Before Tax		6,002.30		5,679.21
Provision for Tax		0.50		1,111.32
Provision for Deferred Tax		1,346.39		319.23
Provision for Fringe Benefit Tax		13.93		16.15
Profit After Tax (before adjustment of minority interest)		4,641.48		4,232.51
Share of Profit(Loss) Transferred to Minority		(7.03)		122.02
Profit After Tax (after adjustment of minority interest)		4,648.51		4,110.49
Prior Year Adjustments		(7.94)		2.23
Balance Brought forward		12,966.12		9,391.58
Balance Available for Appropriation		<b>17,606.69</b>		<b>13,504.30</b>
<b>APPROPRIATION</b>				
Proposed Dividend on Preference Shares		75.60		75.60
Proposed Dividend on Equity Shares		213.42		213.42
Tax on Dividend		49.12		49.12
Transfer to General Reserve		200.00		200.00
Balance Carried to Balance Sheet		17,068.54		12,966.16
		<b>17,606.69</b>		<b>13,504.30</b>
Earning Per Share (Basic and Diluted) (Rs.)		42.66		37.71
Significant Accounting Policies and Notes forming part of Accounts	L			

As per our report of even date

For and on behalf of the Board

**FOR V. A. PARIKH & ASSOCIATES**

Chartered Accountants

**JINESH J. SHAH**

Partner

**DINESH T. SHAH**

Chairman

**VIPUL P. SHAH**

CEO & Managing Director

Place : Mumbai

Date : June 26, 2009

Place : Mumbai

Date : June 26, 2009

## SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## SCHEDULE A - SHARE CAPITAL

(Rs. in lacs)

	MARCH 31, 2009	MARCH 31, 2008
<b>Authorised</b>		
1,50,00,000 ( 1,50,00,000 ) Shares of Rs.10 each	1,500.00	1,500.00
5,00,00,000 (5,00,00,000) Redeemable Cumulative Preference shares of Rs.10 each	5,000.00	5,000.00
	<b>6,500.00</b>	<b>6,500.00</b>
<b>Issued, Subscribed and Paid-up</b>		
1,06,71,200 (1,06,71,200) equity shares of Rs. 10 each	1,067.12	1,067.12
2,52,00,000 (2,52,00,000) 3% Redeemable Cumulative Preference Shares of Rs. 10 each (Redeemable within twenty years from the date of issue-March 2006)	2,520.00	2,520.00
	<b>3,587.12</b>	<b>3,587.12</b>

## SCHEDULE B - RESERVES AND SURPLUS

(Rs. in Lacs)

	MARCH 31, 2009	MARCH 31, 2008
<b>Capital Reserves</b>		
As per Last Balance Sheet	1,006.78	0.16
Add : On Consolidation of Subsidiaries (net)	-	1,006.62
	<b>1,006.78</b>	<b>1,006.78</b>
<b>Share Premium</b>		
As per Last Balance Sheet	1,736.28	1,736.28
<b>General Reserve</b>		
As per Last Balance Sheet	14,563.68	14,401.40
Less : Charge on account of transitional provision of Employee Benefits under AS-15 (net of Deferred tax)	-	(37.72)
Add : Transfer from Profit and Loss Account	200.00	200.00
	<b>14,763.68</b>	<b>14,563.68</b>
Surplus as per Profit and Loss Account	17,068.54	12,966.16
Translation Reserve on consolidation	751.36	47.58
	<b>35,326.64</b>	<b>30,320.48</b>

SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

SCHEDULE C - LOAN FUNDS

(Rs. in Lacs)

	MARCH 31, 2009	MARCH 31, 2008
<b>Secured Loans</b>		
Working Capital Loan from Banks	49,556.54	55,965.99
Secured by		
a. Fixed Deposit		
b. Hypothecation of Stock in Trade and Book Debts		
c. Hypothecation of Premises at Mumbai and Surat		
d. Guaranteed by some of the Directors in their personal capacity		
All loans are repayable within one year		
Term Loan from Banks	3,884.75	-
Secured by		
a. Fixed Deposits		
b. First charge on windmill, all related equipments, systems & accessories at Kerala & Tamilnadu		
c. Equitable mortgage of the land covered under the windmill project at Kerala & Tamilnadu		
Loan repayable within one Year Rs. 450.76 Lacs (Rs.Nil)		
	<b>A</b>	
	53,441.29	55,965.99
<b>Unsecured Loans</b>		
Loan from Directors	2,000.31	875.00
Other Loans	621.50	487.56
	<b>B</b>	
	2,621.81	1,362.56
	<b>A+B</b>	
	56,063.10	57,328.55

SCHEDULE D - FIXED ASSETS

(Rs. in lacs)

Description of Assets	GROSS BLOCK (AT COST)			DEPRECIATION					NET BLOCK		
	As at April 1, 2008	Additions	Deduction	As at March 31, 2009	As at April 1, 2008	Additions	For the year	Deductions	As at Mar 31, 2009	As at Mar 31, 2009	As at Mar 31, 2008
Goodwill	50.00	-	-	50.00	-	-	-	-	-	50.00	50.00
Land	666.81	108.00	-	774.81	-	-	-	-	-	774.81	666.81
Office Premises	3,680.57	3.92	-	3,684.49	107.22	-	80.55	-	187.77	3,496.73	3,573.35
Factory Premises	758.26	0.53	-	758.79	154.04	-	28.04	-	182.08	576.71	604.22
Plant & Machinery	6,725.44	4,688.34	3.69	11,410.09	1,036.49	-	569.58	0.02	1,606.05	9,804.04	5,688.96
Vehicles	315.18	9.02	9.09	315.11	88.63	-	29.47	8.09	110.01	205.10	226.54
Furniture & Fixtures	782.72	19.98	1.51	801.19	231.67	-	49.51	-	281.18	520.01	551.05
<b>CURRENT YEAR</b>	<b>12,978.98</b>	<b>4,829.79</b>	<b>14.29</b>	<b>17,794.48</b>	<b>1,618.05</b>	<b>-</b>	<b>757.15</b>	<b>8.11</b>	<b>2,367.09</b>	<b>15,427.39</b>	<b>11,360.93</b>
<b>PREVIOUS YEAR</b>	<b>5,712.16</b>	<b>10,299.19</b>	<b>3,032.37</b>	<b>12,978.98</b>	<b>796.91</b>	<b>179.97</b>	<b>661.47</b>	<b>20.30</b>	<b>1,618.05</b>	<b>11,360.93</b>	<b>4,915.25</b>



## SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## SCHEDULE E - INVESTMENTS

(Rs. in lacs)

		MARCH 31, 2009	MARCH 31, 2008
<b>In Shares</b>			
<b>Long Term Investments:</b>			
<b>Unquoted:</b>			
Krishana Sagar Builders Ltd 40000 ( Nil ) Shares of Rs.10 each.	100.00	100.00	
<b>Current Investments:</b>		100.00	100.00
<b>Quoted :</b>			
<b>In Shares</b>			
Classic Diamonds 5000 (5000) Shares of Rs. 2 each	4.65	4.65	
Flawless Daimond 10(10) Shares of Rs. 10 each	0.01	0.01	
Gitanjali Gems Ltd. 1000 (1000) Shares of Rs. 10 each	2.21	2.21	
Gooldiam International 1000 (1000) Shares of Rs. 10 each	0.97	0.97	
Golkunda Diamond 10 (10) Shares of Rs. 10 each	0.01	0.01	
Parekh Platinum 10 (10) Shares of Rs. 10 each	0.01	0.01	
Rajesh Exports 600 (600) Shares of Re. 1 each	0.52	0.52	
S.B. & T Inter Ltd 10 (10) Shares of Rs. 10 each	0.01	0.01	
Shantivijay Jewels 10 (10) Shares of Rs. 10 each	0.01	0.01	
Shrenuj & Co Ltd 1000 (1000) Shares of Rs. 2 each	0.45	0.45	
Suashish Diamonds Ltd 1000 (1000) Shares of Rs. 10 each	1.86	1.86	
Su-Raj Diamonds & Jewellery Ltd 1000 (1000) Shares of Rs. 10 each	0.57	0.57	
Vaibhav Gems Ltd 10 (10) Shares of Rs. 10 each	0.03	0.03	
Zodia JRD MKJ 10 (10) Shares of Rs. 10 each	0.01	0.01	
	A	11.32	11.32
<b>Quoted :</b>			
<b>In Mutual Funds</b>			
JM Agri & Infra Fund 250000 (250000) units of Rs.10 each	25.00	25.00	
JM Basic Fund 84555 (84555) units of Rs.10 each	25.00	25.00	
JP Morgan India EQ Fund 176267 (176267) units of Rs.10 each	25.00	25.00	
Reliance Diver. Pow. Sec Fund 47975 (47975) units of Rs.10 each	25.00	25.00	

SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

SCHEDULE E - INVESTMENTS CONTD...

(Rs. in lacs)

		MARCH 31,2009	MARCH 31,2008
Reliance Media & Ent Fund 63081 ( 63081 ) units of Rs.10 each	25.00	25.00	
Reliance Vision Fund 39708 ( 39708 ) units of Rs.10 each	25.00	25.00	
	B 150.00	150.00	
	A+B 161.32	161.32	
Less :Diminution in Market Value of current Investment	(106.35)	54.97 (44.63)	116.69
Market Value (Current Year Rs. 54.97 Lacs) (Previous Year Rs 116.69 Lacs )		154.97	216.69

## SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## SCHEDULE F - CURRENT ASSETS, LOANS AND ADVANCES

(Rs. in lacs)

	MARCH 31, 2009	MARCH 31, 2008
<b>Current Assets</b>		
<b>Inventories</b> (As verified, valued and certified by a Director)		
Raw Materials	9,790.16	18,192.02
Work In Progress	1,242.40	1,266.40
Finished Goods	19,346.99	12,221.24
Consumables	52.86	47.97
Silver Stock	10.87	7.92
Models	127.86	147.22
	<u>30,571.14</u>	<u>31,882.77</u>
<b>Sundry Debtors</b> (Unsecured, Considered Good) For a period more than six months Considered Good	8,129.37	5,996.53
Considered doubtful	-	-
	<u>8,129.37</u>	<u>5,996.53</u>
<b>Others</b>		
Considered Good	42,814.03	39,686.95
	<u>42,814.03</u>	<u>39,686.95</u>
	<u>50,943.40</u>	<u>45,683.48</u>
<b>Cash and Bank Balances</b>		
Cash on Hand	44.45	54.52
<b>Balances with Scheduled Bank</b>		
In Current Accounts	2,003.88	3,886.37
In Fixed Deposits	6,940.63	6,128.44
	<u>8,988.96</u>	<u>10,069.33</u>
<b>Loans and Advances</b> (Unsecured, Considered good)		
Advance Income Tax	3,067.86	5,570.26
Other Advances	1,810.39	2,224.52
Staff Loans	11.52	14.27
	<u>4,889.77</u>	<u>7,809.05</u>
<b>Deposits</b>		
For Office Premises	152.86	153.31
With Others	79.41	71.45
	<u>232.27</u>	<u>224.76</u>
	<u>5,122.04</u>	<u>8,033.81</u>
	<u><b>95,625.54</b></u>	<u><b>95,669.39</b></u>

SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

SCHEDULE G - CURRENT LIABILITIES & PROVISIONS

(Rs. in lacs)

		MARCH 31, 2009	MARCH 31, 2008
<b>Current Liabilities</b>			
Creditors for Goods	9,088.89	7,160.39	
Creditors for Processing	601.96	820.80	
Creditors for Others	797.22	783.83	
		10,488.07	8,765.02
Creditors for Capital Goods		62.25	1,695.85
Temporary Overdraft		7.91	275.92
Unclaimed Dividend *		0.12	0.04
		10,558.35	10,736.83
<b>Provisions</b>			
Proposed Dividend	289.02	289.02	
Tax on Dividend	49.12	49.12	
Taxation	2,639.27	5,387.29	
		2,977.41	5,725.43
		<b>13,535.76</b>	<b>16,462.26</b>

SCHEDULE H - SALES & SERVICES

(Rs. in lacs)

	MARCH 31, 2009	MARCH 31, 2008
Sales - Diamonds	125,919.40	133,124.04
Sales - Jewellery	19,933.35	15,172.32
Sales of Mounting etc.	19.20	36.59
Sales of Power -Windmill	598.74	127.16
Jewellery Making Charges	86.42	156.96
	<b>146,557.11</b>	<b>148,617.07</b>

SCHEDULE I - OTHER INCOME

(Rs. in lacs)

	MARCH 31, 2009	MARCH 31, 2008
Dividend Received	1.78	8.18
Profit on Sale of Shares	-	172.63
Exchange Difference Others	-	52.01
Bad Debts Recovered	0.62	-
Miscellaneous Receipts	111.66	61.62
Share of Profit from Partnership Firm	-	86.68
	<b>114.06</b>	<b>381.12</b>

## SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

## SCHEDULE J - MATERIAL COST

(Rs. in lacs)

		MARCH 31, 2009	MARCH 31, 2008
Stock at the Commencement	18,227.12	18,366.65	
Purchases during the year	110,440.81	117,732.92	
	128,667.93	136,099.57	
Less : Stock at the Close	9,801.03	18,199.94	
		118,866.90	117,899.63
Variation in Stock of Work In Progress			
Stock at the Commencement	1,276.26	2,570.57	
Less: Stock at the Close	1,242.40	1,266.40	
		33.86	1,304.17
Variation in Stock of Finished Goods			
Stock at the Commencement	12,240.73	10,565.16	
Less: Stock at the Close	19,346.99	12,221.24	
		(7,106.26)	(1,656.08)
		111,794.50	117,547.72

## SCHEDULE K - MANUFACTURING &amp; OTHER EXPENSES

(Rs. in lacs)

		MARCH 31, 2009	MARCH 31, 2008
<b>Manufacturing Expenses</b>			
Processing Expenses	6,350.29	6,409.44	
Wages	368.70	234.50	
Contribution to E.S.I.C.	9.41	6.94	
Contribution to Provident Fund	21.93	13.60	
Electrical Charges	128.59	89.76	
Factory Expenses	173.46	121.60	
Consumables	250.88	373.47	
		7,303.26	7,249.31
<b>Employee's Emoluments</b>			
Salary & Bonus	1,058.60	855.00	
Director's Remuneration	87.00	37.05	
Gratuity	60.68	29.04	
Ex Gratia & Leave Encashment	48.42	22.34	
M.L.W.F. Expenses	0.50	0.45	
Contribution to Provident Fund	54.95	50.59	
Group Insurance	19.06	13.49	
Contribution to E.S.I.C.	11.26	10.26	
Staff Welfare Expenses	56.75	51.56	
		1,397.22	1,069.78
<b>Administrative Expenses</b>			
Bank Comission & Charges	228.82	112.50	
Electrical Charges	136.73	81.00	
Telephone and Fax Charges	64.47	63.16	
Local Travelling and Conveyance	51.46	42.63	
Legal & Professional fees	104.34	67.50	
Audit Fees	3.92	4.43	
Printing & Stationery	33.12	27.26	
Repairs & Maintenance (Other)	94.10	39.26	
Repairs & Maintenance (Building)	4.05	1.35	
Repairs & Maintenance (Plant & Machinery)	25.15	26.25	
Postage and Courier	21.76	18.65	
Motor Car Expenses	29.33	26.36	
Provision for Doubtful Debts Written Back	-	(165.76)	

SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

SCHEDULE K - MANUFACTURING & OTHER EXPENSES CONTD...

(Rs. in lacs)

		MARCH 31, 2009	MARCH 31, 2008
Bad Debts	25.15		239.57
Insurance Premium	185.14		149.69
Income Tax	0.42		7.70
Rent & Compensation	152.67		117.65
Donation	38.48		62.07
Demat Charges	-		0.62
Office Canteen Expenses	28.48		26.71
Office Expenses	9.08		17.55
Director's Sitting Fees	1.33		1.01
Sundry Expenses	45.99		30.52
Security Charges	30.77		21.31
Loss on Sale of Assets	0.32		9.57
Exchange Loss(Gain) on Consolidation	157.48		(60.66)
Registration & Filing Charges	0.67		3.28
Wealth Tax	1.59		0.91
Membership and Subscription	11.75		5.30
Diminution in Market Value of current investment	61.73		44.63
		1,548.30	1,022.02
<b>Selling &amp; Distribution Expenses</b>			
Advertisement	32.65		43.16
Sales Expenses	392.70		522.46
Sales Tax	-		0.15
Entertainment Expenses	15.00		16.08
Foreign / Local Travelling	95.30		116.65
Commission on Sales	106.35		144.08
Re-Assortment Charges	10.48		33.44
Freight & Clearing Charges	99.91		89.61
Agency Charges	9.93		11.99
E.C.G.C. Premium	97.66		66.36
Diamond Grading Charges	145.93		65.75
Packing Expenses	12.25		9.04
		1,018.16	1,118.77
		<b>11,266.94</b>	<b>10,459.88</b>

**SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009****SCHEDULE L**

NOTES annexed to and forming part of the Consolidated Balance Sheet as at March 31, 2009 and Consolidated Profit & Loss Account for the year ended on that date.

**I - SIGNIFICANT ACCOUNTING POLICIES****A. Basis for Preparation of Financial Statements**

The financial statements have been prepared using mercantile system of accounting under the historical cost convention. It recognises significant items of income and expenditure on accrual basis. The accounts have been prepared to comply in all material aspects with applicable accounting principles in India and the Accounting Standards issued by the Institute of Chartered Accountants of India.

**B. Sales**

Income from the sale of diamonds / studded jewellery is recognised when the sale has been completed with the passing of the title. Income from sale of wind energy is recognised on its transmission and delivery.

**C. Other Income****Interest**

Interest income is recognised on accrual basis.

**Insurance claim**

Insurance claim on loss by theft is recognised on the basis of acceptance of claim by the Insurance Company.

**Income from Investments**

Income from investment is accounted in the year in which the unconditional right to receive such income is established.

**D. Depreciation / Amortisation**

Depreciation on fixed assets has been provided at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956 on straight line basis. Depreciation of Asian Star Co. Ltd., New York and Inter Gems DMCC, Dubai has been provided on Straight Line Basis. Depreciation on fixed assets of Jewel Art has been provided on written down value method at the rates prescribed by the Income Tax Rules, 1962.

**E. Impairment of Assets**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which the asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**F. Foreign Currency Transactions**

F.1 Transactions denominated in foreign currencies are normally recorded at the Exchange rate prevailing at the time of the transaction.

F.2 Monetary items denominated in foreign currencies at the year-end are translated at year-end exchange rate.

F.3 In case of forward contracts, the difference between the year end rate and rate on the date of contract is recognised as exchange difference. The proportionate difference between the forward rate and the exchange rate on the date of transaction is recognised over the life of the contract.

F.4 Non monetary foreign currency items are carried at cost.

F.5 Any income or expense on account of exchange difference either on settlement or on translation is adjusted to the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

**G. Fixed Assets**

Cost of Fixed Assets comprise of purchase price, duties, levies and any cost directly attributable to bringing the asset to its working condition for the intended use. Fixed Assets are stated at cost less accumulated depreciation.

**H. Capital Work in Progress**

Capital work in progress comprises of cost of acquisition of assets, duties, levies and any cost directly attributable

**SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009**

to bringing the asset to its working condition for the intended use. Expenditure incurred on project under implementation is treated as incidental expenditure incurred during construction period and is pending allocation to the assets which will be allocated / apportioned on completion of the project.

**I. Borrowing Costs:**

All borrowing costs, which are of revenue nature, are charged to Profit and Loss Account.

**J. Investment**

J.1 Long term investments are valued at cost. Provision for diminution in value is made only if such diminution is otherwise than temporary in the opinion of the management.

J.2 Current Investments -Quoted are valued at cost or market value, whichever is lower.

**K. Inventories**

K.1 Stock of raw materials is stated at weighted average cost or net realizable value whichever is lower except for stock of platinum, colour stones and gold mounting at Jewel Art is valued at average cost. Stock of polished diamonds (for jewelry operations) is valued at technically evaluated cost or net realizable value whichever is lower. Specific items of cost are allocated and assigned to inventory wherever practicable.

K.2 Work in Process and Finished goods are valued at technically evaluated cost or estimated net realizable value, whichever is lower. Cost includes cost of material and related conversion cost. In view of the nature of variation in the values of individual diamonds and the differential in their processing costs, it is not practicable to compute the cost of polished diamonds using either FIFO or weighted average cost. In view of the numerous grades, it is not practicable to use specific costs. The method of valuation is therefore in compliance with "AS2" issued by the Institute of Chartered Accountants of India to the extent practicable.

K.3 Consumables are valued at average cost.

**L. Employee Benefits**

**L1. Short term Employees benefit**

Short term employees benefits are recognized in the period during which the service has been rendered.

**L2. Long Term Employee Benefit**

a) Provident Fund Act, Family pension fund & employees State Insurance Scheme. As per provident fund Act, 1952 all employees of the company are entitled to receive benefits under the provident fund & family pension fund which is a defined contribution plan. These contributions are made to the fund administrated and managed by the Government of India. In addition some employees of the company are covered under Employees State Insurance Scheme Act, 1948, which are also defined contribution Schemes recognized and administered by Government of India.

The company's contributions to these schemes are recognized as expense in Profit and Loss account during the period in which the employee renders the related services. The company has no further obligation under these plan beyond its monthly contributions.

b) The company provides for gratuity obligation through a Defined Benefit Retirement Plan ('The Gratuity Plan') covering it's employees. The present value of the obligation under such Defined plan is determined based on actuarial valuation. Actuarial gains and losses are recognized in Profit & Loss Account as and when determined. The company makes annual contribution to LIC for the Gratuity plan in respect of employees.

**M. Taxation**

Current Tax is determined as the amount of tax payable in respect of taxable income for the year after considering various reliefs admissible under provisions of the Income Tax Act, 1961. The deferred tax for timing difference between the book and tax profit for the year is accounted for using tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax asset arising from timing difference are recognised to the extent that there is virtual certainty that sufficient future taxable income will be available.

**N. Preliminary Expenses**

Preliminary expenses and expenses incurred on the issue of shares are amortized over a period of five years, from the year in which the company starts its operations.



**SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009****O. Contingent Liability**

The company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

- P. (i) In order to comply with Accounting Standard 21 issued by Institute of Chartered Accountants of India, the Company has prepared the accompanying consolidated financial statements, which include the financial statements of the Company along with its subsidiaries. Details of subsidiaries are as under.

Name of Subsidiary	Country of Incorporation	Percentage of ownership (Previous Year)
1) Asian Star Co. Ltd.	USA	100 (100)
2) Inter Gems DMCC	UAE	100 (100)
3) Asian Star Jewels Pvt. Ltd.	India	100 (Nil)
4) Jewel Art (Partnership Firm)	India	91 (91)

- (ii) The consolidated financial statements of the group have been based on a line by line consolidation of Profit & Loss Account and Balance Sheet of the Company and its subsidiaries.
- (iii) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statement as goodwill or Capital Reserve as the case may be.
- (iv) The effects of inter-company transactions between consolidated companies are eliminated in consolidation.
- (v) Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- (vi) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

**II - NOTES FORMING PART OF THE ACCOUNTS**

- Surplus / (Deficit) on account of exchange difference on outstanding forward exchange contracts to be recognised in profit and loss account of subsequent accounting period aggregate to Rs (601.35) lacs. (For F.Y. 2007-08 it was Rs. 33.25 lacs).
- Derivatives Instrument:
  - Derivative contracts entered into and outstanding as on March 31, 2009.
    - For hedging currency related risk:  
Nominal amount of forward purchase contracts (net) entered into and outstanding as on March 31, 2009 amount to Rs. 1619.15 crores (for F.Y.2007-08 forward sales contract (net) was Rs. 24.18 Crores).
    - For Hedging commodity related risk:  
Forward contracts for Gold by the company and outstanding as on 31st March,2009 covers 120 Kgs. (For F.Y.2007-2008 it was 140 Kgs.).
  - Foreign currency exposure that are not hedged by the derivative instruments as on 31st March, 2009, amount to Rs. NIL (for F.Y.2007-08 it was Rs. 206.85).
- There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2009. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

4. Deferred Tax Liability

Break up of Deferred Tax Liability as on 31st March, 2009 is as given below:

(Rs. in Lacs)

Particulars		
Deferred Tax Liability as on 1.4.2008	1,018.66	
<b>Add:</b> Provision for Deferred Tax made during the year arising on account of timing difference in Depreciation	1,367.94	
Deferred Tax liability as on 31.03.2009		2,386.60
<b>Less:</b> Deferred Tax Asset as on 1.4.2008	34.59	
Provision for Diminution in Market value of Current investments.	20.58	
Gratuity Liability	0.57	
Deferred Tax Assets as on 31.03.2009		56.14
<b>Deferred Tax Liability (Net) as on 31.3.2009</b>		<b>2,330.46</b>

5. During the year, Company has recognized the following amounts in the financial statements.

a) Defined Contribution Plan:

Contribution to Defined Contribution Plan, recognized as expenses for the year are as under:

(Rs. in Lacs)

Particulars	
Employers Contribution to Provident Fund & Family Pension Fund	76.88
Employers Contribution to Employees State Insurance Scheme.	20.68
Employers Contribution to Maharashtra Labour Welfare Fund	0.50

b) Defined Benefit Plan:

Defined benefits plan as per actuarial valuation as on 31st March,2009 and recognized in the financial statement in respect of Employee Benefits Scheme:

(Rs. in Lacs)

Disclosure under AS 15 (Revised) Employees Benefits Scheme:	Gratuity (Funded)
<b>I) Change in defined benefits obligation as at 31st March,2009.</b>	
a) Present value of the obligation as beginning of the year	178.98
b) Current Service Cost	26.12
c) Interest Cost	15.77
d) Benefit Paid	(16.02)
e) Actuarial Loss on obligation	30.67
f) Present value of obligation as at end of the year	235.52
<b>II) Change in fair value of plan assets</b>	
a) Present value of the plan assets at the beginning of the year	117.96
b) Expected actual return on plan Assets	12.39
c) Contribution	44.98
d) Benefit Paid	(16.02)
e) Actuarial Loss	(0.51)
f) Present value of plan assets at the end of the year	158.80

## SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009

(Rs. in Lacs)

<b>III) Component of Employee Cost recognized in Profit &amp; Loss A/c.</b>	
a) Interest Cost	15.77
b) Current Service Cost	26.12
c) Expected return on plan Assets	(12.39)
d) Actuarial Loss	31.18
e) Expenses recognized in Profit & Loss A/c	60.68
<b>IV) Reconciliation of Present value of obligation and fair value of Plan assets.</b>	
a) Present value of obligation at the end of the year	235.52
b) Fair Value of Plan Assets at the end of the year	158.80
c) Difference	(76.72)
d) Amount Recognized in the Balance Sheet	(76.72)
<b>V) Actuarial Assumptions</b>	
	(%)
a) Discount Rate	7.75 %
b) Expected rate of return on assets	8.00 %
c) Future salary escalation	5.00%
d) Attrition rate	2.00 %

## 6. Segment reporting

(Rs. in Lacs)

Particulars	2008-2009	2007-2008
<b>1. Segment - Revenue</b>		
Diamond	1,28,464.01	1,36,250.53
Jewellery	20,467.85	15,386.67
Others	651.07	390.47
<b>Total</b>	<b>1,49,582.93</b>	<b>1,52,027.67</b>
Less: Inter Segment Revenue / Transfer	2,973.49	3,029.48
<b>Net Sales / Revenue</b>	<b>1,46,609.44</b>	<b>1,48,998.19</b>
<b>2. Segment Results</b>		
Profit / (Loss) before Tax and Interest from each segment		
Diamond	6,242.33	6,905.69
Jewellery	2,777.35	1,462.54
Others	(221.90)	321.25
<b>Total</b>	<b>8,797.78</b>	<b>8,689.48</b>
Less:		
i) Interest	2,803.42	3,008.05
ii) Other un - allocable expenses	-	-
<b>Total Profit before Tax</b>	<b>5,994.36</b>	<b>5,681.43</b>
<b>3. Capital Employed</b>		
Diamond	31,814.19	26,429.68
Jewellery	6,372.08	6,458.03
Other	1,223.20	1,601.11
Unallocated net assets	-	-
<b>Total Capital Employed</b>	<b>39,409.47</b>	<b>34,488.82</b>

(a) As per Accounting Standard on Segment Reporting (AS-17), issued by the Institute of Chartered Accountant of India, the company has reported segments information on consolidated basis including business conducted by its subsidiaries.

**SCHEDULES 'A' to 'K' Annexed to and Forming Part of The Accounts for the year ended March 31, 2009**

- (b) The Company now recognizes two reportable business segments viz. cut and polished diamonds and Jewellery. The business which is not reportable during the year, has been grouped under 'Others' Segment, this comprises wind energy generation.
- (c) Consolidated Profit before tax and interest for the year ended 31.03.2009 for Jewellery Segment includes minority interest (Loss of Rs. 7.03 Lacs.)
7. The figures of previous year have been regrouped / reclassified wherever necessary and possible so as to confirm with the figures of the current year.

As per our report of even date

For and on behalf of the Board

**FOR V. A. PARIKH & ASSOCIATES**

Chartered Accountants

**JINESH J. SHAH**

Partner

**DINESH T. SHAH**

Chairman

**VIPUL P. SHAH**

CEO & Managing Director

Place : Mumbai

Date : June 26, 2009

Place : Mumbai

Date : June 26, 2009

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2009

(Rs. in Lacs)

	MARCH 31, 2009	MARCH 31, 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax & extraordinary items	6,002.30	5,679.21
Adjustment for		
Depreciation	757.17	661.47
Interest	2,803.42	3,008.05
Unrealised Foreign Exchange (Gain) / Loss	(1,372.73)	(542.13)
Dividend Received	(1.78)	(8.18)
(Profit)/Loss from Partnership firm	-	(86.68)
Gratuity	60.68	29.04
(Profit)/Loss on sale of fixed assets	0.32	9.57
(Profit)/Loss on sale of investments	-	(172.63)
Diminution in value of Investment written off / written back	61.73	44.63
Share of Minority	7.03	(122.02)
Operating profit before working capital changes	8,318.14	8,500.33
Adjustment for		
Receivables	(4,909.90)	4,971.59
Inventories	1,311.63	(5,994.85)
Loans & Advances	2,911.77	(1,148.27)
Current Liabilities	(990.16)	5,910.82
Cash generated from / (used in) operations	6,641.48	12,239.62
Taxation	(14.43)	(1,127.47)
Gratuity	(60.68)	(29.04)
Prior year expenses	(7.94)	(54.92)
Preliminary Expenses	(2.37)	-
Cash flow before extraordinary items	6,556.07	11,028.19
Extraordinary items	-	-
Net cash from / (used in) operating activities	6,556.07	11,028.19
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,941.63)	(11,369.13)
Sale of fixed assets	5.86	2,704.58
Purchase of Investments (Net)	(0.01)	1,327.89
Dividend Received	1.78	8.18
Sale of Investments (Net)	-	-
Net cash from / (used in) investing activities	(2934.01)	(7328.48)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Secured Loans	(3,438.40)	148.74
Unsecured Loans	1,259.25	1,362.56
Interest	(2,803.42)	(3,008.05)
Share of Minority Interest	(85.51)	581.22
Proposed Dividend	(289.02)	(289.02)
Tax on Dividend	(49.12)	(49.12)
Net cash from / (used in) financing activities	(5,406.22)	(1,253.67)
Increase/ (Decrease) in Translation on Consolidation	703.78	98.70
Net increase / (decrease) in cash & cash equivalents	(1,080.37)	2,544.75
Cash & cash equivalents as at 1st April (Opening)	10,069.33	7,524.58
Cash & cash equivalents as at 31st March (Closing)	8,988.96	10,069.33

As per our report of even date

For and on behalf of the Board

FOR V. A. PARIKH &amp; ASSOCIATES

Chartered Accountants

JINESH J. SHAH

Partner

DINESH T. SHAH

Chairman

VIPUL P. SHAH

CEO &amp; Managing Director

Place : Mumbai  
Date : June 26, 2009Place : Mumbai  
Date : June 26, 2009

## CORPORATE INFORMATION

### Board of Directors

Dinesh T. Shah  
Chairman

Vipul P. Shah  
CEO & Managing Director

Dharmesh D. Shah  
CFO & Jt. Managing Director

Arvind T. Shah  
Executive Director

Priyanshu A. Shah  
Executive Director

Bhupendra K. Shroff  
Director

K. Mohanram Pai  
Director

Apurva R. Shah  
Director

Hasmukh B. Gandhi  
Director

Milind H. Gandhi  
Director

### Auditors

V. A. Parikh & Associates  
Chartered Accountants

### Registered Office

114-C, Mittal Court,  
Nariman Point,  
Mumbai 400 021

### Bankers

Bank of India

Canara Bank

Corporation Bank

State Bank of Hyderabad

Central Bank of India

HDFC Bank

Syndicate Bank

State Bank of Patiala

State Bank of Indore

ING Vysya Bank Ltd.

State Bank of Travancore

Andhra Bank

Bank of Baroda

Bank of Maharashtra

Standard Chartered Bank

### Registrar & Transfer Agents

Bigshare Services Pvt. Ltd.

E-2/3, Ansa Industrial Estate,  
Sakivihar Road, Sakinaka,  
Andheri (E), Mumbai 400 072.

Tel.: 022-2847 3474

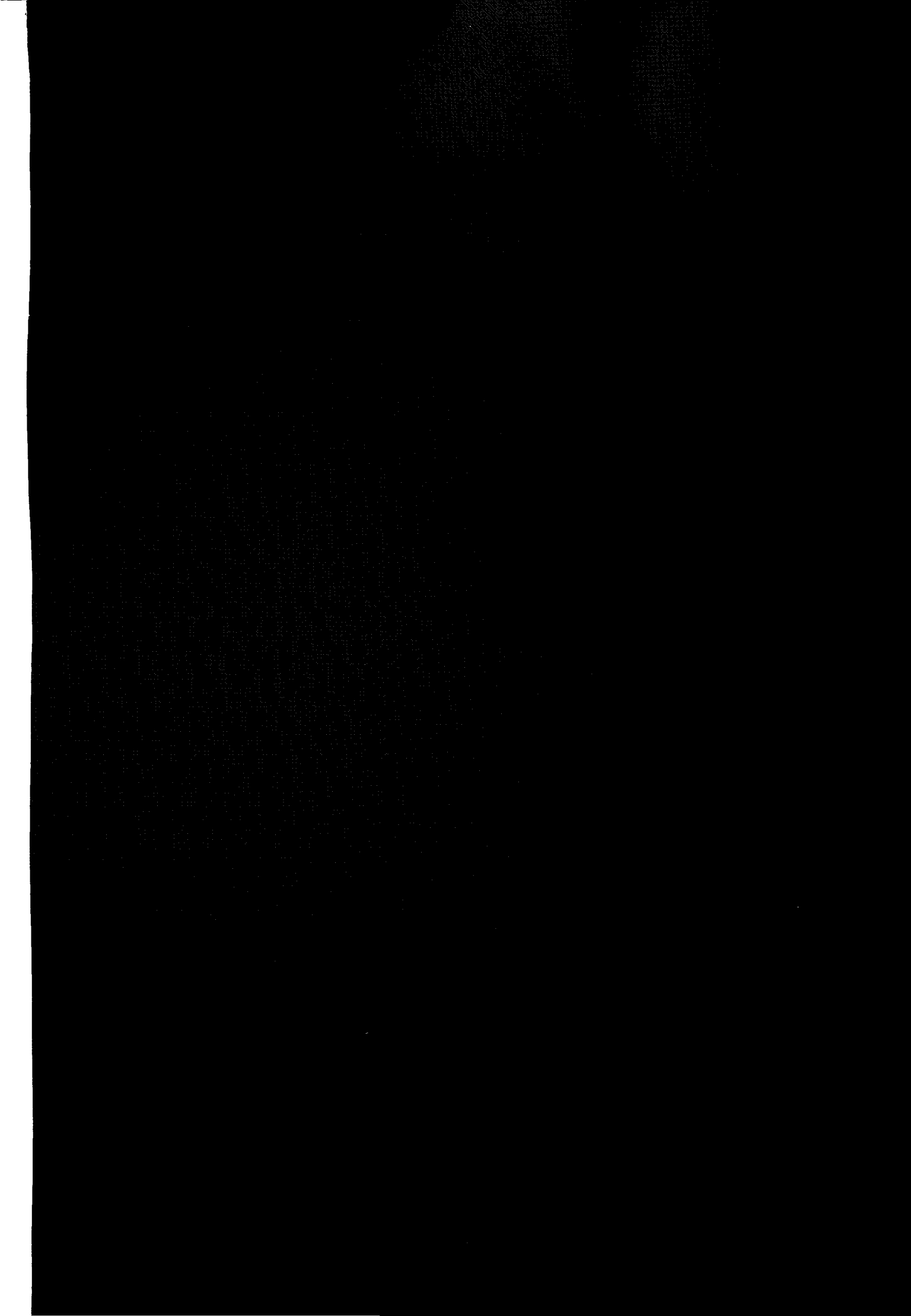
Fax: 022-2847 5207.

### Subsidiary Companies

Asian Star Company Limited  
New York, U.S.A.

Inter Gems DMCC  
Dubai, U.A.E.

Asian Star Jewels Private Limited  
Mumbai, India.





Asian Star Company Limited  
114, Mittal Court - C, Nariman Point, Mumbai - 400 021, India.  
[www.asianstarco.com](http://www.asianstarco.com)